

A G E N D A

Tennessee Student Assistance Corporation

BOARD MEETING

Parkway Towers
18th Floor Conference Room
404 James Robertson Parkway
Nashville, Tennessee

Thursday, June 15, 2006

- I. CALL TO ORDER – 1:00 p.m.**
- II. ADOPTION OF AGENDA**
- III. ROLL CALL OF MEMBERS AND DETERMINATION OF A QUORUM**
- IV. APPROVAL OF THE MINUTES OF THE MARCH 23, 2006
BOARD MEETING1**
- V. CHAIRMAN’S REPORT**
- VI. EXECUTIVE DIRECTOR’S REPORT**
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IX. NEW BUSINESS

X. OLD BUSINESS

XI. ADJOURNMENT – Approximately 3:00 p.m.

Minutes
Tennessee Student Assistance Corporation (TSAC)
Board of Directors Meeting
March 23, 2006
1:00 p.m. CDT

The Board of Directors of the Tennessee Student Assistance Corporation met on Thursday, March 23, in Suite 1803, Parkway Towers in Nashville, Tennessee. Dr. Richard Rhoda presided and called the meeting to order at 1:00 p.m. CDT.

The following members and alternate representatives were present:

Mr. Peter Abernathy for Commissioner David Goetz
Mr. Morgan Branch for Commissioner Lana Seivers
Ms. Deborah Cole
Ms. Janice Cunningham for Mr. Dale Sims
Dr. Joel Cunningham
Mr. Robert Levy for Dr. John Petersen
Dr. Charles Manning
Mr. Claybourne Petrey
Dr. Claude Pressnell, Jr.
Dr. Richard G. Rhoda
Ms. Mary Kate Ridgeway
Mr. Patrick Smith for Governor Phil Bredesen
Mr. Paul Starnes
Mr. Forrest Stuart
Ms. Faye Weaver for Mr. John Morgan

Ms. Nicole Brooks was unable attend. Others in attendance are included as Attachment A.

Approval of Agenda

Dr. Rhoda asked for a motion to approve the agenda as presented. Dr. Charles Manning moved for approval and Mr. Patrick Smith seconded. The motion carried.

Ms. Lora Daniels called the roll of attendees to determine a quorum. Dr. Rhoda asked the other attendees present to introduce themselves.

Approval of Minutes

Dr. Rhoda asked for a motion to adopt the minutes of September 19, 2005. Ms. Faye Weaver moved and Mr. Morgan Branch seconded the motion to adopt the minutes as presented. The motion carried.

Chairman's Report

Dr. Rhoda welcomed Mr. Patrick Smith and Dr. Joel Cunningham to the Board. Mr. Smith was introduced as Governor Bredesen's designee. Dr. Cunningham is Chairman of the Tennessee Independent Colleges and Universities Association, replacing Mr. Jeffrey Nesin.

Dr. Rhoda stated he had consulted with several members of the board, as well as the executive committee, regarding the discontinuation of Dr. Ruble's state vehicle. When Dr. Ruble was appointed, his base salary included the use of a state vehicle that has now become unavailable. On behalf of the Board, an increase in Dr. Ruble's salary of \$700 per month, \$8,400 per year was prescribed. Dr. Ruble's base salary of \$125,000 has been adjusted to \$133,400. The Board was asked to ratify. Mr. Paul Starnes moved and Mr. Clay Petrey seconded the increase in salary. The board approved the motion.

Dr. Rhoda also noted that at the next board meeting we will be considering the election of the officers for the next fiscal year as well as the executive and appeals committees. He has appointed a nominating committee consisting of Mr. Clay Petrey, Dr. John Peterson and Dr. Charles Manning. The nominating committee will make its report at the next board meeting.

Executive Director's Report

Dr. Robert Ruble introduced the newest TSAC staff to the Board. Levis Hughes, Associate Executive Director for Loan Programs, comes from the Florida guarantee agency; Tom Bain, Associate Executive Director for Compliance and Legal Affairs, comes from the Tennessee Department of Revenue; Mason Ball, Internal Auditor, from the Tennessee Division of State Audit; Ahmed Feroze, Accountant, from the Tennessee Department of Environment & Conservation; and Jason Seay, Outreach Specialist for Middle Tennessee, from U.S. Bank.

Dr. Ruble announced it was time to begin the nomination process to select the student member of the TSAC board for the following year. Letters are being sent today to chancellors and presidents explaining the process. We are required, by law, to alternate year to year from a private and public institution. Our current student member, Nicole Brooks, comes from the University of Memphis, so the Governor will be selecting the new student board member from a private college.

Dr. Ruble reported that all Nelnet loans, incorrectly guaranteed by TSAC, have been closed. The Nelnet lender ID 833500 has been deleted, deactivated, and closed in our system.

Dr. Ruble announced that the pictures scrolling on the screen as the meeting began are of the College Goal Sunday Program that occurred on February 12 at several sites across the state. He reported the program was very successful and that more details on the program were available in the agenda notebook.

Implementation of 1% Federal Default Fee

Dr. Rhoda called on Mr. Levis Hughes to discuss a new 1% federal default fee. Mr. Hughes explained that currently the student borrowers have up to 4% deducted from the loan amount. This amount consists of a 3% origination fee that can be processed on behalf of the lender and sent to the Department of Education. Mr. Hughes stated the lender may or may not absorb the fee themselves. Either way, the fee does need to be paid to the Department of Education. This process will change with the new law. The other component of the 4% deducted from the loan amount is a 1% guarantee fee. Over the last six years this guarantee fee has been optional and many guarantee agencies have decided not to charge it to the borrower. The new federal law requires that the origination fee be reduced from a maximum of 3% to 2% as of July 1, 2006. The law also states that the fee is to be completely waived over the next four academic years.

Mr. Hughes further stated that the other change instituted by the new federal law states the guarantee fee will become known as a default fee of 1%. The law will require this fee to be deposited into the Federal Reserve fund. Mr. Hughes stated that two ways to fulfill the requirement are either through use of the TSAC operating fund or charge that fee directly to the borrower.

Mr. Hughes further stated that pages 16-18 of the agenda provide supporting documents outlining the details. Page 16 shows cash flow summaries and pages 17 and 18 show details regarding TSAC's options. Information on page 17 represents a cash flow projection if the student were to pay the default fee. Page 18 represents the impact if the agency/operating funds were used as a mechanism to fund the fee. Over a five year period, the operating fund under both models declines. In Model 1, where the student pays the default fee, the operating fund goes down. However, Model 2 illustrates the operating fund's total depletion. The Federal Reserve ratio stays the same under both models because the law requires that the fee be deposited into the Federal fund regardless of where the money is derived.

TSAC staff recommends that we implement a 1% Federal Default fee to be paid by the borrowers effective July 1, 2006. Mr. Hughes noted, under current law, borrowers could be charged up to 4% on each new loan-- consisting of a 3% origination fee and a 1% guarantee fee. This fee is paid to the Department of Education and by year 2010 the origination fee, as described before, will be eliminated for all borrowers.

To summarize, effective July 1, 2006, the 1% guarantee fee will be renamed the "federal default fee" and guarantors will be required to deposit that amount in the agency's Federal Reserve fund. At that time TSAC will have two choices:

- (1) charge the student from the proceeds of the loan, or
- (2) pay the fee on behalf of the student from TSAC's loan program operation fund.

Mr. Hughes stated that TSAC staff recommends the 1% default fee be paid by students. After board discussion, Dr. Rhoda asked for a motion to accept the staff recommendation. Mr. Patrick Smith moved and Mr. Starnes seconded the motion. The board members voted unanimously to accept the staff recommendation.

Bylaws Amendment Concerning Annual Meeting Date

Mr. Tom Bain stated that current TSAC bylaws require the board of directors to meet at least once each year in June. A mandatory meeting in June poses difficulty in that the Board must annually adopt a budget request in September. A possible resolution is to change the date required for the annual meeting from June to September. The Board voted at the September 19, 2005 board meeting to change the required annual meeting date. A similar vote at this meeting would satisfy the bylaws requirement of a majority vote by the Board at two successive meetings. After discussion by the board, Mr. Starnes moved and Mr. Branch seconded the motion. A roll call vote to amend the bylaws change and move the annual meeting from June to September was taken (Attachment B). The board members voted unanimously to change the date.

Audit Committee Charter

Ms. Deborah Cole gave an overview of the Audit Committee Charter. Ms. Cole introduced the members of the audit committee; Mr. Clay Petrey, Mr. Peter Abernathy and herself, as chair. She stated that the TSAC Audit Committee was required, in response to TCA 4-35-103, to establish and submit a charter to the Comptroller of the Treasury. The Audit Committee will assist the Board in fulfilling its oversight of the internal audit functions, external auditors, and federal and state auditors. It is comprised of at least three members and the chair. The Committee Chair is appointed by the chair of TSAC's Board of Directors. The committee will meet at least twice a year and work closely with the internal auditor and staff. Ms. Cole further stated that the committee met with the state auditors on August 30. After board discussion, it was suggested that the chair have accounting management expertise and that the charter be amended to include this change. Dr. Joel Cunningham moved approval of the charter and Ms. Ridgeway seconded the motion. The Board voted unanimously to accept the charter as presented.

TSAC Policy on Discrimination & Harassment

Mr. Tom Bain presented TSAC's Policy on Discrimination and Harassment, noting that the Department of Personnel has issued a directive requesting all executive branch departments, agencies, boards and commissions to develop an internal policy establishing the process by which they investigate allegations of illegal discrimination and harassment. TSAC's drafted policy appears on pages 33-48. This policy has been tailored to address particular implementation needs of TSAC. The TSAC internal auditor is designated as having primary responsibility for overseeing workplace discrimination or harassment complaints. The TSAC staff recommends the approval of the attached policy concerning investigation of allegations of illegal discrimination and harassment.

Ms. Cunningham stated that in the internal policy one action absent was if the allegation is against the executive director. She suggested language be included that states if the allegation is against the executive director, the complaint be filed directly with the Department of Personnel. Mr. Starnes moved and Mr. Petrey seconded the motion. The Board voted unanimously to accept the Policy, as amended.

TSAA Over-Commitment Ratio

Ms. Naomi Derryberry discussed the TSAA over-commitment ratio, stating that TSAC staff has recommended a 140% over-commitment ratio for the 2006-07 TSAA program. Under this plan, awards will be offered to 40% more students than we have money to support. This is common in the financial aid industry and is similar to over-booking in the hotel and airline industries. A statistical analysis of historical data accounts for students who will be offered aid but will not use it. Ms. Derryberry stated that TSAC is asking the Board for approval of the over-commitment ratio as presented. Mr. Forrest Stuart moved and Mr. Starnes seconded approval at the 140% over-commitment ratio. After discussion by the Board, the motion passed.

Implementation of 1% Federal Default Fee REVISITED

Dr. Rhoda asked the Board to return their attention to Decision Item VII A and called on Mr. Ron Gambill of EdSouth. Mr. Gambill stated that EdSouth, as the designated secondary market in Tennessee, will pay the 1% Federal default fee for students on all EdSouth loans guaranteed by TSAC. The effective date for this action will be July 1, 2006. Dr. Rhoda and the Board thanked EdSouth and Mr. Gambill for their generosity.

Report from the Audit Committee

Mr. Mason Ball gave a brief report on the financial and compliance audit for fiscal year ending June 30, 2005. The audit was performed by the Comptroller of the Treasury, Financial and Compliance section of the Division of State Audit. He noted that the audit report ending June 30, 2004 had a repeat finding stating that "student loan information reflected in the Corporation's system was not always correct." It was also a repeat finding in fiscal year 2003. He further stated that TSAC is pleased to report the audit report ending June 30, 2005 will not contain the repeat finding. He stated that the audit manager indicated the audit was in the final review and once the review is finished, it will be sent released to the general public. Unfortunately, due to this timing, TSAC is unable to provide the report to the board at this meeting, but as soon as the report becomes available it will be provided to all board members.

Mr. Ball stated TSAC has been notified that the federal auditors will visit TSAC June 12-23, 2006. The last visit was in August of 2004. They will be reviewing information from fiscal year 2003 and 04.

GuaranTec: Corporate Mission, Goals, and Plans

Ms. Becky Stilling, GuaranTec's Executive Director, discussed the corporation's mission, goals and plans statement and an overview of GuaranTec's operations. She further discussed the new contract and provided some background information on herself. She described her experience with the financial aid community and how she arrived at GuaranTec. Ms. Stilling made several observations stating that TSAC has a strong presence in TN and has a substantial market share in Tennessee with postsecondary institutions. She further noted TSAC's low default rate and that TSAC and GuaranTec have many things to work on together. Their mission with TSAC is to provide a strong set of services and support. The overall view of the new contract is based on two factors: performance and partnership. She stated that this included working together in such a way to improve program outcomes including continued attention to default prevention aversion, careful monitoring and mindfulness of the state's operating and federal funds. She stated the need to continuously develop programs that are compelling to the institutions and discussed the importance of TSAC and GuaranTec working in collaboration with the institutions to meet their needs. One significant component of the GuaranTec contract is the support of the grant program, eGRandS, which she stated is an excellent design and responsible system.

Report from the Taskforce to Review the Tennessee Student Assistance Award Program

Mr. Greg Schutz, from the TN Board of Regents and chair of this work group, reviewed the task force activities. Mr. Schutz stated the group has been meeting each month, since November, to review the principles and mission of the TSAA program. They will meet on April 12th, and also meet with financial aid professionals to ascertain their input on the TSAA program. Mr. Schutz introduced the taskforce members as: Russ Deaton of THEC, Naomi Derryberry of TSAC, William Doyle of Peabody College at Vanderbilt University, and Jeff Gerkin of University of Tennessee. The charge given the committee is to review the TSAA program, including eligibility requirements, application deadline dates, and the formula determining award amounts; and to then recommend changes. The current issues facing the program are:

1. The state appropriation for TSAA has remained level the last three years, and is actually less than it was four years ago.
2. Available resources have not been adequate to provide full awards to all eligible students.
3. Among award recipients, there is little differentiation in award amounts between the very poor and those who are nearly too well-off to qualify.
4. Award eligibility ends abruptly, as family financial strength increases minimally.

Mr. Schutz presented a graph showing three sample institutions and how award amounts vary by EFC. He asked the board to recall that as EFC increases, so too, does the financial strength of the family. Low EFC means low income. Also, he pointed out that fewer than 25% of the students eligible for the TSAA receive the lottery scholarship. Almost all TSAA recipients have income below \$36,000, while 2/3 of the lottery recipients have incomes above that level.

Mr. Schutz further discussed the timeline for implementing these changes to begin in Fall 2007, with a decision and information campaign for students. The implementation of the new formula would begin Fall, 2008.

The taskforce has arrived at five principles for implementation:

- Needy Students – defined as a program of access
- Defined by EFC – measure that defines needy students
- Comparable Support of Various Sectors –a new formula will not shift resources from one higher education sector to another
- Explainable – defined as award is simpler, not arbitrary
- Predictable – defined as allowing student to make college choices with enough information by providing consistency of award amounts and timeliness of award information.

The taskforce goals are as follow:

- To apply the above principles to arrive at a new formula.

- Meet with Board members and financial aid professionals on the application of these principles.
- Document the reason for, and impact of, the changes that might be made.
- Work within the constraints of varying awards, partial funding, and yearly funding to provide an award that is meaningful as well as predictable in both award amount and award application date.

Dr. Rhoda opened the meeting for discussion. Dr. Manning asked why a decision could not be ready until the fall of 2007. Mr. Schutz stated that due to the legislative session timing and the need for clear presentation of the changes to students, Fall 2006 would not allow enough time for an effective public information format. Ms. Weaver asked for the exact figure of students who receive both TSAA and the lottery scholarship award. Mr. Schutz stated he did not have the specific number, but would provide her with that figure as soon as possible. However, he stated that previous data for 2005-06, showed that of the 22,900 students who had tentatively been awarded the TSAA, only 5,798, to date, or 25.3%, will also be awarded the lottery scholarship. Ms. Cunningham asked if the timeframe takes into consideration that the recommendation and board approval may require legislative changes and Mr. Schutz stated yes.

Dr. Pressnell asked if the taskforce was addressing only the eligibility issues and not the deadline. Mr. Schutz stated the taskforce would attempt to address both, but would likely only focus on the structural award process. Dr. Cunningham asked if the new formula would affect TSAC and the budgeting and commitment process by complicating the over-commitment. Dr. Ruble stated they were two separate issues; the over-commitment means that if we have \$42 million to spend, we have to offer \$57 million. He continued that if TSAC changes the formula, the over-commitment policy to allow for those who will not accept the money, will remain.

Dr. Rhoda stated that growth and funding stopped three years ago and that at that time the board took the position of reducing the number of awards to the neediest rather than lowering the award amount in order to serve more. Dr. Pressnell stated the need to analyze and discover what the minimum grant size is to affect college choice decisions. Mr. Stuart encouraged the Board to attend the meeting after the TASFAA conference at 1:00 on April 12th.

Mr. Starnes noted that since we are interested in increasing enrollment consideration should be given to extending eligibility for the Lottery Scholarship program to students attending career colleges. He cited statistics to support his case.

Dr. Rhoda stated that those students are included in the TSAA program which is based on need.

Application Process for the Tennessee Education Lottery Scholarship Program

After presenting a brief overview of the FAFSA, Robert Biggers stated that the use of the FAFSA as the single application for the lottery scholarship has been discussed by the board and the state legislators on multiple occasions. (Refer to page 64 and 65 for examples of issues accompanying the use of FAFSA as an alternative application.)

Under current statute, the student must complete an application in order to receive funds from the lottery scholarship. However, certain sections of the annotated code specifically address using the FAFSA as the application. These sections reference the FAFSA as the application for the ASPIRE award, a need-based supplement to the HOPE scholarship, and the Access grant, since both awards are contingent upon the family's adjusted gross income being \$36,000 or less. This information regarding the family's adjusted gross income is currently listed on the FAFSA.

However, the Tennessee Code Annotated is silent on the type of application required, for the non-need based lottery scholarship program. In this case, the rules address and define the FAFSA as the necessary application.

The four rationales for requiring the FAFSA are:

- Simplicity – the sole application for all federal/state aid programs
- Access - by requiring the completion of the FAFSA, the state is drawing thousands of additional students into the financial aid pipeline
- Reasonableness – completing the FAFSA provides additional benefits of financial reward
- Administrative efficiency – verification is electronic; therefore the student, agency, and state incur no additional costs.

The rationales for developing a short form are:

- Personal privacy – many who are applying only for the non-need based award object to providing financial information which is not needed to determine eligibility
- Access - the complexity of the FAFSA may prevent some from attempting to apply

Mr. Biggers stated that reaction to using the FAFSA as the application for state merit-based programs is mixed. Review of the outline on page 65, listing the preferences of other states, drew discussion among board members. Dr. Pressnell stated that the requirement of FAFSA completion for scholarship eligibility brought a dramatic increase in the TSAA eligibility, in addition to the \$17 million increase in Pell monies received by students in Tennessee. He also suggested that an alternative application, if permitted, could be available online, and still include income ranges to provide THEC with a reasonable amount of data for assessment. Dr. Levy mentioned the availability of the application posted on the XAP portal, but stressed the need to keep things straightforward and simple.

Ms. Cunningham wanted to go on record in support of the other speakers, but wanted additional information regarding the increase of Pell recipients. Information regarding Pell awardees was included on the 2003-04 and 2004-05 academic years, even though similar information before the lottery scholarship program's inception was not readily available. The board noted that the FAFSA application issue, while an ongoing discussion, would remain the sole application for lottery scholarship eligibility.

Major Loan Provisions in the Higher Education Reconciliation Act of 2005

Levis Hughes discussed the issues associated with the loan provisions, referencing the main items to be effective July 2007:

- Increases annual Stafford loan limits to \$3500/year for freshmen and \$4500/year for sophomores.
- Makes graduate and professional students eligible for PLUS loans.
- Changes the Stafford loan interest rate from a variable rate of 5.3% to a 6.8% fixed rate.
- Changes the PLUS loan interest rate from 6.1% to 8.5% fixed.
- Over the next five years, gradually phases out the existing 3% Stafford loan origination fee.
- Requires payment of a federal default fee equal to 1% of new loans, to be deposited into the Federal Reserve fund.
- Reduces the gap between the amount TSAC pays lenders for delinquent loans, and the amount the federal government reimburses TSAC.
- Requires lenders to return the money they profit when students pay a higher interest rate than the rate lenders are guaranteed to receive.

Legislative Update

Tom Bain referenced the list of bills that have been introduced to the 104th General Assembly which would affect higher education. Mr. Bain detailed the bills which pertained to student loans, scholarships and grants. Much of TSAC's attention was focused upon the lottery scholarship program.

- SB2683 - sponsored by Senator Steve Cohen: would increase the Hope Scholarship award from \$3300 to \$4000 for full time students at four year institutions, and from \$1650 to \$2000 for full time students at two year institutions.
- SB1535/HB3715 - would extend the eligibility for Wilder-Naifeh Technical Skills Grants to proprietary schools students

- SB3694 – would extend eligibility of HOPE awards to students attending certain proprietary schools
- SB3097 – would expand the flexibility with which the TSAC Board could distribute TSAA awards. This bill would remove the language which prevents prorating of TSAA awards.
- SB0447 – would replace the current nursing loan scholarship program with a new scholarship program

Other proposed bills would award lottery scholarships to additional students, such as: veterans, tenured school teachers, employees of small businesses, and an expanded group of foster care children.

Tennessee Education Lottery Scholarship Program Status Report

Dr. Rhoda opened the floor for questions regarding any item listed in the agenda. Dr. Pressnell questioned the data showing an increase of lottery scholarship recipients, while having a decrease in the award amounts at the University of Tennessee Chattanooga and other institutions. Mr. Biggers said he would research the question and report back to the board.

Tennessee Student Assistance Award Program Status Report

Mr. Petrey questioned why the 2005-06 TSAA award had decreased from the previous year. Ms. Derryberry responded by stating that TSAC ran out of money earlier than in the previous academic year. Ms. Derryberry further explained that because the recipients' award amount is consistently the same each year, the level funding causes fewer students to be awarded. Between the 2004-05 and 2005-06 academic years, the number of students awarded has dropped 4,000 students to 19,000.

New Business

No new business.

Old Business

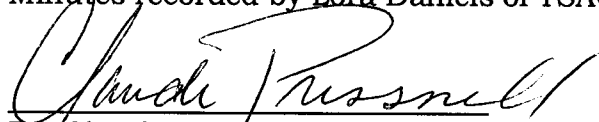
No old business.

Adjournment

Dr. Rhoda announced the board will meet on June 15th, at which time the board will elect new officers, new committees, and hear the follow-up report from the Task Force looking at the TSAA program and other matters. The tentative date for the September meeting is the 28th.

The meeting was adjourned at 4:00p.m.

Minutes recorded by Lora Daniels of TSAC and approved by:


Dr. Claude O. Pressnell, Jr.
Secretary

TSAC BOARD MEETING ATTENDANCE LIST

Ms. Becky Stilling	GuaranTec
Ms. Hope Jackson	
Ms. Wendy Doyal	GuaranTec
Mr. Peter McArdle	GuaranTec
Mr. Jeff Gerkins	University of Tennessee, Knoxville
Ms. Sandra Robert	TN Association of Independent Colleges & Schools
Mr. Ron Gambill	Edsouth Funding
Mr. Jerome Duran	SunTrust Bank
Ms. Nancy Beverly	Regions Bank
Mr. Gregory Schutz	Tennessee Board of Regents
Mr. Russ Deaton	Tennessee Higher Education Commission
Ms. Tiffany Geasley	Tennessee Higher Education Commission
Mr. Rob Anderson	Tennessee Higher Education Commission
Dr. Robert Ruble	Tennessee Student Assistance Corporation
Mr. Levis Hughes	Tennessee Student Assistance Corporation
Mr. Tom Bain	Tennessee Student Assistance Corporation
Mr. Mason Ball	Tennessee Student Assistance Corporation
Ms. Jeri Fields	Tennessee Student Assistance Corporation
Mr. Dan Lee	Tennessee Student Assistance Corporation
Ms. Stephanie Aylor	Tennessee Student Assistance Corporation
Mr. Robert Biggers	Tennessee Student Assistance Corporation
Mr. Doug Cullum	Tennessee Student Assistance Corporation
Ms. Naomi Derryberry	Tennessee Student Assistance Corporation
Ms. Darolyn Porter	Tennessee Student Assistance Corporation
Ms. Karen Myers	Tennessee Student Assistance Corporation
Ms. Janice Maddox	Tennessee Student Assistance Corporation
Dr. Martin McGirt	Tennessee Student Assistance Corporation
Mr. Gary Rogers	Tennessee Student Assistance Corporation
Ms. Susan Quinnan	Tennessee Student Assistance Corporation
Ms. Lora Daniels	Tennessee Student Assistance Corporation

March 23, 2006

The roll-call vote by the Tennessee Student Assistance Corporation Board of Directors on the By-laws date change from June to September was as follows:

	Aye	No	Absent
Governor Phil Bredesen by Mr. Patrick Smith	<u>X</u>	_____	_____
Ms. Deborah Cole	<u>X</u>	_____	_____
Commissioner Dave Goetz by Mr. Pete Abernathy	<u>X</u>	_____	_____
Dr. Joel Cunningham	<u>X</u>	_____	_____
Chancellor Charles Manning	<u>X</u>	_____	_____
Mr. John Morgan by Ms. Faye Weaver	<u>X</u>	_____	_____
Dr. John Petersen by Dr. Robert Levy	<u>X</u>	_____	_____
Mr. Clay Petrey	<u>X</u>	_____	_____
Dr. Claude Pressnell	<u>X</u>	_____	_____
Dr. Richard Rhoda	<u>X</u>	_____	_____
Ms. Mary Kate Ridgeway	<u>X</u>	_____	_____
Commissioner Lana Seivers by Mr. Morgan Branch	<u>X</u>	_____	_____
Mr. Dale Sims by Ms. Janice Cunningham	<u>X</u>	_____	_____
Mr. Paul Starnes	<u>X</u>	_____	_____
Mr. Forrest Stuart	<u>X</u>	_____	_____
Ms. Nicole Brooks	_____	_____	<u>X</u>

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DECISION ITEM A: **Selection of 2006-07 Officers and Committee Members**

Staff Recommendation

That the board select its 2006-07 officers and committee members at today's meeting.

Background

The Bylaws of the Tennessee Student Assistance Corporation state that the Corporation's officers shall consist of a Chairman, Vice-Chairman, Secretary, and Treasurer, each elected by the directors of the Corporation from among their own number. The term of office is one year.

The Bylaws authorize the Chairman to appoint board committees. In practice, the Chairman often brings committee appointments to the full board.

At the Board's March 23, 2006 meeting, Acting Chairman Rhoda appointed a committee to nominate 2006-07 officers and committee members. The Nominating Committee consisted of John Petersen, Charles Manning, and Clay Petrey.

Following today's report from the Nominating Committee, 2006-07 officers and committee members will be selected. A list of current (2005-06) officers and committee members is attached.

Supporting Document

Tennessee Student Assistance Corporation: 2005-06 Officers and Committees, May 30, 2006.

Tennessee Student Assistance Corporation
2005-06 Officers and Committees

May 30, 2006

Officers

Chairman: Governor Phil Bredesen
Vice Chair: Richard Rhoda
Secretary: Claude Pressnell
Treasurer: Dale Sims

Executive Committee

Governor Phil Bredesen, Chair
Dave Goetz
John Morgan
Claude Pressnell
Richard Rhoda
Dale Sims

Appeals Committee

Charles Manning, Chair
John Morgan
John Petersen
Richard Rhoda
Paul Starnes

Audit Committee

Deborah Cole, Chair
Pete Abernathy
Clay Petrey

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM A: **Tennessee Student Assistance Award Program Status Report**

Staff Recommendation

For discussion only.

Background

In 2004-05, about 24,000 students received TSAA awards totaling \$42.6 million.

In 2005-06, as of May 1, 2006, about 19,500 students have received TSAA awards totaling \$39 million.

In 2006-07, available resources are expected to total about \$41,000,000. Using the 40% over-commitment ratio adopted by the Board on March 23, 2006, this means that about \$57,400,000 will be offered to students.

These funds are sufficient to award the 18,735 students who submitted complete (error-free) applications by March 1, 2006, but insufficient to award the 3,050 students who applied by that date with incomplete applications.

It is likely that additional resources for the 2006-07 year will become available over the next several weeks, which will allow additional students to be awarded. Sources include additional state appropriations (\$2,100,000), federal LEAP/SLEAP funds (\$1,051,617), and the possible expenditure of a portion of the TSAA reserve.

Before intentionally spending down any portion of the TSAA reserve, approval would be sought from the Executive Committee. If the additional state and federal resources materialize as expected, the 3,050 students mentioned above can be served without drawing on the TSAA reserve.

Supporting Document

Tennessee Student Assistance Award Program Update, May 1, 2006.

Tennessee Student Assistance Award
Program Status Report

June 15, 2006

Tennessee Student Assistance Corporation
Parkway Towers, Suite 1950
404 James Robertson Parkway
Nashville, Tennessee 37243-0820
(615)741-1346

www.CollegePaysTN.com

Tennessee Student Assistance Corporation
Tennessee Student Assistance Award ("TSAA") Program

	<u>2004-05</u>		<u>2005-06</u>	
	<u>Actual Recipients</u>		<u>Awards through 5/1/06*</u>	
	<u>Students</u>	<u>\$</u>	<u>Students</u>	<u>\$</u>
Independent / Four-Years	4,335	\$16,147,762	3,849	\$14,981,876
Independent / Two-Years	76	218,316	42	140,093
Private/Business and Trade	1,346	2,230,346	1,191	2,016,111
Board of Regents	7,400	13,023,972	6,108	11,800,128
University of Tennessee System	2,970	5,387,321	2,489	4,899,651
State Tech/Community Colleges	6,474	5,088,447	4,755	4,494,273
School of Nursing	7	4,068	2	2,811
Tennessee Technology Centers	<u>1,326</u>	<u>\$545,183</u>	<u>1,053</u>	<u>\$639,251</u>
	23,934	\$42,645,415	19,489	\$38,974,194
Average Award Amount		\$1,782		\$2,000

* Awards were offered to eligible students who applied by March 15, 2005. Data shown here are current as of May 1, 2006. These amounts will decline as year end reconciliation rosters are completed.

TENNESSEE STUDENT ASSISTANCE CORPORATION

Tennessee Student Assistance Award

	2004-2005		2005-2006	
	Students	Actual \$	Students	Awards through 5-1-06* \$
INDEPENDENT/FOUR-YEARS				
American Baptist College	18	36,632	16	32,841
Aquinas College	76	245,521	69	240,333
Aquinas College – Primetime	30	77,774	17	51,054
Baptist Memorial College of Health	105	182,703	88	164,421
Belmont University	117	481,407	113	486,712
Bethel College	268	889,570	252	917,303
Bryan College	60	247,002	61	225,835
Carson-Newman College	266	1,120,819	171	723,292
Christian Brothers University	238	988,822	242	1,033,379
Crichton College	119	353,926	110	383,399
Cumberland University	182	772,910	165	739,061
David Lipscomb University	113	491,414	84	350,807
Fisk University	44	184,845	38	160,915
Free Will Baptist Bible College	11	36,630	10	36,507
Freed-Hardeman University	181	784,020	165	726,280
Johnson Bible College	22	55,971	21	54,089
King College	89	370,741	67	291,756
Lambuth University	128	555,399	100	438,583
Lane College	305	907,308	286	951,708
Lee University	172	632,151	142	577,686
LeMoyne-Owen College	263	952,296	214	863,587
Lincoln Memorial University	211	849,037	189	779,145
Martin Methodist College	154	576,886	163	599,108
Maryville College	116	482,442	121	543,458
Memphis College of Art	33	137,874	45	185,649
Milligan College	52	240,783	46	197,631
Rhodes College	29	124,163	27	117,332
South College	83	140,320	53	91,336
Southern Adventist University	39	151,728	34	143,195
Tennessee Temple University	7	14,613	12	26,319
Tennessee Wesleyan College	153	621,353	132	541,086
Trevecca Nazarene University	84	302,616	59	233,782
Tusculum College	290	1,031,439	285	1,039,545
Union University	136	556,107	121	498,348
University of the South	33	146,634	28	124,998
Vanderbilt University	82	353,827	78	359,967
Watkins Institute College of Art and Design	26	50,079	25	51,429
TOTAL:	4,335	16,147,762	3,849	14,981,876
AVERAGE AWARD:		3,725		3,892

TENNESSEE STUDENT ASSISTANCE CORPORATION

Tennessee Student Assistance Award

	2004-2005		2005-2006	
	Actual		Awards through 5-1-06*	
	Students	\$	Students	\$
Hiwassee College	68	205,315	35	127,638
John A. Gupton College	5	10,065	5	10,191
William R. Moore School of Technology	3	2,936	2	2,264
TOTAL:	76	218,316	42	140,093
AVERAGE AWARD:		2,873		3,336

PRIVATE/BUSINESS & TRADE

ConCorde Career Institute	157	273,711	115	216,276
Draughon's Junior College, Clarksville	98	172,224	27	48,489
Draughon's Junior College, Murfreesboro	38	72,585	71	118,635
Draughon's Junior College, Nashville	174	292,290	67	118,080
Electronic Computer Programming College, Inc.	48	80,116	50	69,374
Fountainhead College of Technology	31	52,314	16	27,372
High Tech Institute	145	245,814	66	117,339
ITT Technical Institute, Knoxville	82	139,043	78	133,717
ITT Technical Institute, Memphis	8	10,409	1	702
ITT Technical Institute, Nashville	30	52,369	26	48,263
MedVance Institute	32	46,790	33	44,415
Miller-Motte Business College, Clarksville	47	75,798	46	82,416
Miller-Motte Technical College, Chattanooga	46	92,222	119	214,482
Nashville Auto-Diesel College	74	74,474	43	82,740
Nashville College of Medical Career	16	20,874	28	42,345
National College of Business & Technology, Bristol	0	0	0	0
National College of Business & Technology, Knoxville	16	27,512	52	83,126
National College of Business & Technology, Nashville	95	167,450	88	162,282
North Central Institute	3	4,572	5	11,322
Nossi College of Art	53	97,281	55	99,387
O'More College of Design	8	17,199	10	22,620
Remington College, Memphis	52	81,476	59	76,648
Remington College, Nashville	12	9,280	30	31,510
SAE Institute of Technology	0	0	1	2,322
Southeastern Career College	0	0	65	91,956
Vatterott College	12	17,434	3	4,596
West Tennessee Business College	69	107,109	37	65,697
TOTAL:	1,346	2,230,346	1,191	2,016,111
AVERAGE AWARD:		1,657		1,693

TENNESSEE STUDENT ASSISTANCE CORPORATION

Tennessee Student Assistance Award

	2004-2005		2005-2006	
	Students	Actual \$	Students	Awards through 5-1-06* \$
BOARD OF REGENTS				
Austin Peay State University	885	1,546,905	741	1,437,568
East Tennessee State University	1,135	1,934,740	920	1,720,310
Middle Tennessee State University	1,562	2,693,365	1,220	2,377,224
Tennessee State University	1,055	1,820,773	814	1,588,053
Tennessee Technological University	718	1,223,195	494	925,294
University of Memphis	2,045	3,804,994	1,919	3,751,679
TOTAL:	7,400	13,023,972	6,108	11,800,128
AVERAGE AWARD:		1,760		1,932

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	768	1,321,573	566	1,058,023
University of Tennessee, Knoxville	1,425	2,726,049	6	9,249
University of Tennessee, Martin	758	1,303,738	1,168	2,400,153
University of Tennessee, Memphis	19	35,961	749	1,432,226
TOTAL:	2,970	5,387,321	2,489	4,899,651
AVERAGE AWARD:		1,814		1,969

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	541	444,528	370	344,852
Cleveland State Community College	205	144,407	160	141,057
Columbia State Community College	357	283,054	251	236,184
Dyersburg State Community College	557	296,832	391	296,237
Jackson State Community College	453	352,037	306	282,252
Motlow State Community College	219	182,623	148	138,901
Nashville State Technical Community College	393	321,214	315	285,035
Northeast State Technical Community College	438	389,384	340	333,454
Pellissippi State Technical Community College	367	311,481	360	359,528
Roane State Community College	516	419,243	337	344,641
Southwest Tennessee Community College (Union)	1,411	1,181,275	1,151	1,154,151
Volunteer State Community College	375	283,042	280	253,831
Walters State Community College	642	479,327	346	324,150
TOTAL:	6,474	5,088,447	4,755	4,494,273
AVERAGE AWARD:		786		945

TENNESSEE STUDENT ASSISTANCE CORPORATION

Tennessee Student Assistance Award

2004-2005		2005-2006	
Actual		Awards through 5-1-06*	
Students	\$	Students	\$

SCHOOL OF NURSING

Methodist Hospital School of Nursing

TOTAL:
AVERAGE AWARD:

7	4,068	2	2,811
7	4,068	2	2,811
	581		1,406

TENNESSEE TECHNOLOGY CENTERS

Tennessee Technology Center at Athens
Tennessee Technology Center at Chattanooga
Tennessee Technology Center at Covington
Tennessee Technology Center at Crossville
Tennessee Technology Center at Crump
Tennessee Technology Center at Dickson
Tennessee Technology Center at Elizabethton
Tennessee Technology Center at Harriman
Tennessee Technology Center at Hartsville
Tennessee Technology Center at Hohenwald
Tennessee Technology Center at Jacksboro
Tennessee Technology Center at Jackson
Tennessee Technology Center at Knoxville
Tennessee Technology Center at Livingston
Tennessee Technology Center at McKenzie
Tennessee Technology Center at McMinnville
Tennessee Technology Center at Memphis
Tennessee Technology Center at Morristown
Tennessee Technology Center at Murfreesboro
Tennessee Technology Center at Nashville
Tennessee Technology Center at Newbern
Tennessee Technology Center at Oneida/Huntsville
Tennessee Technology Center at Paris
Tennessee Technology Center at Pulaski
Tennessee Technology Center at Ripley
Tennessee Technology Center at Shelbyville
Tennessee Technology Center at Whiteville

TOTAL:
AVERAGE AWARD:

16	8,252	17	11,500
73	31,704	31	18,252
11	4,797	14	5,712
84	36,564	43	26,923
39	11,346	26	14,536
41	18,152	32	19,388
58	26,398	61	30,158
52	25,027	27	16,318
16	8,064	14	8,532
88	38,308	113	89,358
20	9,220	33	20,112
74	30,228	59	37,376
76	28,237	67	33,235
90	27,809	34	18,228
51	20,920	33	19,688
33	13,244	26	15,614
62	26,017	80	53,883
112	50,184	87	54,481
24	9,498	21	10,760
59	24,098	48	25,343
19	5,850	15	8,310
28	9,460	21	12,204
62	23,268	51	29,742
32	14,712	15	9,186
40	16,584	27	15,128
40	18,156	30	16,684
26	9,086	28	18,600
1,326	545,183	1,053	639,251
	411		607

GRAND TOTAL

AVERAGE AWARD:

23,934	42,645,415	19,489	38,974,194
	1,782		2,000

* Awards were offered to eligible students who applied by March 15, 2005. Data shown here are current as of May 1, 2006. These amounts will decline as year end reconciliation rosters are completed.

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM B: **Tennessee Education Lottery Scholarship Program Status Report**

Staff Recommendation For information only.

Background The Tennessee Education Lottery Scholarship program is approaching the conclusion of its second year of awards, and we have a good picture of how we will end the year.

In the first year of the program, HOPE Scholarships, HOPE Access Grants and Wilder-Naifeh Technical Skills Grants totaling \$93,416,022 were provided to 40,195 students.

In the second year of the program, the menu of awards was expanded to include HOPE Foster Care Grants and Dual Enrollment Grants. As we approach the end of the second year, \$133,536,544 has been provided to 54,446 students.

Early in the third year of the program, \$136,323,032 has been awarded to 41,778 students.

Details are provided in the document entitled *Tennessee Education Lottery Scholarship Program Update*.

Supporting Document *Tennessee Education Lottery Scholarship Program Update, June 15, 2006.*

Tennessee Education Lottery Scholarship
Program Update

June 15, 2006

Tennessee Student Assistance Corporation
Parkway Towers, Suite 1950
404 James Robertson Parkway
Nashville, Tennessee 37243-0820
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**Tennessee Education Lottery Scholarship Program
Summary Report
5/1/2006**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
HOPE (With GAMS and ASPIRE)						
Independent / Four-Years	5,318	\$16,715,547	7,096	\$24,266,542	8,176	\$31,211,150
Independent / Two-Years	110	182,750	77	135,113	62	132,300
Private/Business Trade	0	0	46	138,800	37	137,600
University of Tennessee System	8,041	24,724,303	11,402	37,662,721	10,610	39,663,000
Board of Regents / Four-Years	11,231	34,715,484	14,433	49,828,282	12,723	48,246,600
State Tech/Community Colleges	6,572	10,312,105	6,969	12,471,412	3,944	8,824,275
TOTAL	31,272	\$86,650,189	40,023	\$124,502,870	35,552	\$128,214,925
HOPE Foster Care Grant						
University of Tennessee System	0	\$0	6	\$16,970	0	\$0
Board of Regents / Four-Years	0	0	16	50,051	0	0
State Tech/Community Colleges	0	0	8	19,536	0	0
TOTAL	\$0	\$0	30	\$86,557	0	\$0
HOPE Access Grant						
Independent / Four-Years	12	\$21,000	25	\$49,200	13	\$31,200
Independent / Two-Years	1	1,250	1	788	2	3,150
Private/Business Trade	0	0	0	0	0	0
University of Tennessee System	16	24,779	48	96,322	15	36,000
Board of Regents / Four-Years	37	61,000	123	255,300	35	84,000
State Tech/Community Colleges	42	44,531	66	79,938	25	39,375
TOTAL	108	\$152,560	263	\$481,548	90	\$193,725
Wilder-Naifeh Technical Skills Grant	8,815	\$6,613,273	9,061	\$6,536,593	6,136	\$7,914,382
Dual Enrollment Grant						
Independent / Four-Years	0	\$0	331	\$128,055	0	\$0
Independent / Two-Years	0	0	52	24,010	0	0
Private/Business Trade	0	0	0	0	0	0
University of Tennessee System	0	0	574	243,900	0	0
Board of Regents / Four-Years	0	0	80	39,457	0	0
State Tech/Community Colleges	0	0	3,512	1,316,704	0	0
Technology Centers	0	0	520	176,850	0	0
TOTAL	0	\$0	5,069	\$1,928,976	0	\$0
ALL PROGRAMS						
Independent / Four-Years	5,330	\$16,736,547	7,452	\$24,443,797	8,189	\$31,242,350
Independent / Two-Years	111	184,000	130	159,911	64	135,450
Private/Business Trade	0	0	46	138,800	37	137,600
University of Tennessee System	8,057	24,749,082	12,030	38,019,913	10,625	39,699,000
Board of Regents / Four-Years	11,268	34,776,484	14,652	50,173,090	12,758	48,330,600
State Tech/Community Colleges	6,614	10,356,636	10,555	13,887,590	3,969	8,863,650
Technology Centers	8,815	6,613,273	9,581	6,713,443	6,136	7,914,382
GRAND TOTAL	40,195	\$93,416,022	54,446	\$133,536,544	41,778	\$136,323,032

Tennessee Education Lottery Scholarship Program
HOPE (Includes General Assembly Merit and Aspire)
Awards By Institution

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
Independent / Four -Years						
Aquinas College	32	\$81,000	36	\$109,686	35	\$133,500
Baptist Mem. Coll. Health & Sci.	48	149,625	80	260,850	101	372,300
Belmont University	386	1,180,375	567	1,958,590	657	2,425,600
Bethel College	147	456,600	183	666,700	212	805,100
Bryan College	59	192,000	103	374,700	148	557,400
Carson Newman College	390	1,246,500	481	1,429,632	523	1,968,750
Christian Brothers University	263	838,125	327	1,172,325	388	1,472,400
Crichton College	27	74,125	34	108,500	37	137,600
Cumberland University	194	599,500	264	896,350	302	1,129,600
David Lipscomb University	462	1,436,203	607	2,119,875	587	2,193,100
Fisk University	48	157,500	72	274,450	77	316,600
Free Will Baptist Bible College	23	73,000	26	89,825	18	69,400
Freed Hardeman University	257	788,397	319	1,114,650	323	1,223,900
Johnson Bible College	35	96,500	48	168,750	44	163,200
King College	125	404,500	193	662,700	226	843,300
Lambuth University	207	635,000	241	836,800	287	1,070,600
Lane College	48	156,125	58	233,400	65	279,000
Lee University	266	818,250	373	1,349,137	399	1,536,700
LeMoyne-Owen College	34	118,500	30	119,250	25	112,500
Lincoln Memorial University	133	410,000	145	521,129	211	848,800
Martin Methodist University	90	276,500	137	484,950	187	729,100
Maryville College	352	1,102,950	459	1,621,350	505	1,886,000
Memphis College of Art	16	53,000	22	79,800	38	149,400
Milligan College	97	292,500	119	396,600	143	532,400
Rhodes College	205	685,000	256	940,025	298	1,167,900
South College	14	30,665	14	42,000	13	56,400
Southern Adventist University	116	360,500	161	521,125	147	535,100
Tennessee Wesleyan College	176	535,262	253	878,312	265	1,005,000
Trevecca Nazarene University	117	357,000	140	471,100	137	516,100
Tusculum College	155	445,225	199	716,500	252	971,600
Union University	313	986,788	418	800,800	498	1,872,400
University of the South	106	341,000	145	535,764	192	743,100
Vanderbilt University	355	1,270,707	543	2,163,267	790	3,221,500
Watkins Inst. Coll. Of Art & Des.	22	66,625	43	147,650	46	165,800
TOTAL	5,318	\$16,715,547	7,096	\$24,266,542	8,176	\$31,211,150
Independent / Two-Years						
Hiwassee College	105	\$174,000	71	\$123,788	53	\$109,950
John A. Gupton College	5	8,750	6	11,325	9	22,350
TOTAL	110	\$182,750	77	\$135,113	62	\$132,300
Private / Business & Trade						
O'More College of Design	0	\$0	46	\$138,800	37	\$137,600

Tennessee Education Lottery Scholarship Program
HOPE (Includes General Assembly Merit and Aspire)
Awards By Institution

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
University of Tennessee System						
University of TN, Chattanooga	1,684	\$5,040,313	2,612	\$7,104,894	1,865	\$6,975,500
University of TN, Health Sci. Ctr.	0	0	6	19,800	37	155,100
University of TN, Knoxville	5,045	15,623,196	7,000	24,308,689	6,885	25,671,000
University of TN, Martin	1,312	4,060,794	1,784	6,229,338	1,823	6,861,400
TOTAL	8,041	\$24,724,303	11,402	\$37,662,721	10,610	\$39,663,000
Board of Regents / Four Years						
Austin Peay State University	1,145	\$3,456,863	1,467	\$5,049,890	1,315	\$5,020,350
East Tennessee State University	1,654	5,138,085	2,326	8,031,997	2,259	8,547,200
Middle Tennessee State University	3,869	11,753,958	4,995	17,141,894	4,001	14,941,800
Tennessee State University	534	1,718,655	529	1,827,681	496	2,047,300
Tennessee Technological Univer.	1,901	5,876,152	2,361	8,133,722	2,228	8,400,750
University of Memphis	2,158	6,771,771	2,755	9,643,099	2,424	9,289,200
TOTAL	11,261	\$34,715,484	14,433	\$49,828,282	12,723	\$48,246,600
State Tech / Community Colleges						
Chattanooga State Tech Com Coll	436	\$680,681	497	\$888,022	305	\$654,925
Cleveland State Comm College	349	553,252	343	644,696	157	349,050
Columbia State Comm College	589	927,003	607	1,079,255	417	895,550
Dyersburg State Comm College	242	383,168	223	420,917	141	321,150
Jackson State Comm College	457	711,134	456	836,211	319	731,350
Motlow State Comm College	513	790,065	552	894,651	251	552,150
Nashville State Comm College	200	290,086	216	366,070	114	269,100
Northeast State Tech Comm Coll	437	708,864	504	951,032	281	610,650
Pellissippi State Tech Comm Coll	822	1,242,580	950	1,638,324	431	937,650
Roane State Community College	794	1,313,253	819	1,620,172	453	1,048,950
Soutwest Tennessee Comm Coll	260	410,259	198	204,875	142	344,800
Volunteer State Community Coll	650	1,022,343	707	1,265,122	389	846,850
Walters State Community College	823	1,279,419	897	1,662,066	544	1,262,100
TOTAL	6,572	\$10,312,107	6,969	\$12,471,412	3,944	\$8,824,275
Total Awards By Institution Type						
Independent / Four-Years	5,318	\$16,715,547	7,096	\$24,266,542	8,176	\$31,211,150
Independent / Two-Years	110	182,750	77	135,113	62	132,300
Private / Business & Trade	0	0	46	138,800	37	137,600
University of Tennessee System	8,041	\$24,724,303	11,402	\$37,662,721	10,610	\$39,663,000
Board of Regents / Four-Years	11,261	34,715,484	14,433	49,828,282	12,723	48,246,600
State Tech / Community Colleges	6,572	10,312,107	6,969	12,471,412	3,944	8,824,275
GRAND TOTAL	31,302	\$86,650,191	40,023	\$124,502,870	35,552	\$128,214,925

**Tennessee Education Lottery Scholarship Program
HOPE Foster Care Grant
Awards By Institution**

	2004-2005 Actual Recipients		2005-2006 Paid through 05/01/06		2006-2007 Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
University of Tennessee System						
University of TN, Chattanooga	0	\$0	3	\$10,966	0	\$0
University of TN, Health Sci. Ctr.	0	0	0	0	0	0
University of TN, Knoxville	0	0	1	2,798	0	0
University of TN, Martin	0	0	2	3,206	0	0
TOTAL	0	\$0	6	\$16,970	0	\$0
Board of Regents / Four Years						
Austin Peay State University	0	\$0	4	\$9,839	0	\$0
East Tennessee State University	0	0	4	21,600	0	0
Middle Tennessee State University	0	0	2	7,766	0	0
Tennessee State University	0	0	1	2,317	0	0
Tennessee Technological Univer.	0	0	1	1,570	0	0
University of Memphis	0	0	4	6,959	0	0
TOTAL	0	\$0	16	\$50,051	0	\$0
State Tech / Community Colleges						
Chattanooga State Tech Com Coll	0	\$0	0	\$0	0	\$0
Cleveland State Comm College	0	0	2	2,406	0	0
Columbia State Comm College	0	0	1	795	0	0
Dyersburg State Comm College	0	0	0	0	0	0
Jackson State Comm College	0	0	1	6,500	0	0
Motlow State Comm College	0	0	0	0	0	0
Nashville State Comm College	0	0	0	0	0	0
Northeast State Tech Comm Coll	0	0	1	3,469	0	0
Pellissippi State Tech Comm Coll	0	0	2	4,631	0	0
Roane State Community College	0	0	1	1,735	0	0
Southeast Tennessee Comm Coll	0	0	0	0	0	0
Volunteer State Community Coll	0	0	0	0	0	0
Walters State Community College	0	0	0	0	0	0
TOTAL	0	\$0	8	\$19,536	0	\$0
Total Awards By Institution Type						
University of Tennessee System	0	\$0	6	\$16,970	0	\$0
Board of Regents / Four-Years	0	0	16	50,051	0	0
State Tech / Community Colleges	0	0	8	19,536	0	0
GRAND TOTAL	0	\$0	30	\$86,557	0	\$0

**Tennessee Education Lottery Scholarship Program
HOPE Access Grant
Awards By Institution**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
Independent / Four -Years						
Aquinas College	1	\$2,000	0	\$0	0	\$0
Baptist Mem. Coll. Health & Sci.	0	0	1	1,200	0	0
Belmont University	0	0	1	2,400	0	0
Bethel College	0	0	3	7,200	1	2,400
Bryan College	0	0	1	2,400	0	0
Carson Newman College	0	0	2	2,400	2	4,800
Christian Brothers University	1	2,000	0	0	0	0
Crichton College	0	0	0	0	0	0
Cumberland University	2	4,000	1	1,200	0	0
David Lipscomb University	1	2,000	0	0	0	0
Fisk University	1	1,000	0	0	0	0
Free Will Baptist Bible College	0	0	0	0	0	0
Freed Hardeman University	0	0	1	2,400	0	0
Johnson Bible College	0	0	0	0	0	0
King College	1	2,000	0	0	1	2,400
Lambuth University	0	0	0	0	0	0
Lane College	1	1,000	1	1,200	0	0
Lee University	0	0	1	2,400	0	0
LeMoyne-Owen College	1	2,000	1	2,400	2	4,800
Lincoln Memorial University	0	0	3	3,600	1	2,400
Martin Methodist University	1	2,000	2	4,800	0	0
Maryville College	1	2,000	2	4,800	0	0
Memphis College of Art	0	0	0	0	0	0
Milligan College	0	0	0	0	0	0
Rhodes College	0	0	0	0	0	0
South College	0	0	0	0	1	2,400
Southern Adventist University	0	0	0	0	0	0
Tennessee Wesleyan College	1	1,000	3	6,000	2	4,800
Trevecca Nazarene University	0	0	2	4,800	0	0
Tusculum College	0	0	0	0	1	2,400
Union University	0	0	0	0	1	2,400
University of the South	0	0	0	0	1	2,400
Vanderbilt University	0	0	0	0	0	0
Watkins Inst. Coll. Of Art & Des.	0	0	0	0	0	0
TOTAL	12	\$21,000	25	\$49,200	13	\$31,200
Independent / Two-Years						
Hiwassee College	1	\$1,250	0	\$0	2	\$3,150
John A. Gupton College	0	0	1	788	0	0
TOTAL	1	\$1,250	1	\$788	2	\$3,150
Private / Business & Trade						
O'More College of Design	0	\$0	0	\$0	0	\$0

**Tennessee Education Lottery Scholarship Program
HOPE Access Grant
Awards By Institution**

	2004-2005 Actual Recipients		2005-2006 Paid through 05/01/06		2006-2007 Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
University of Tennessee System						
University of TN, Chattanooga	8	\$16,000	16	\$31,200	5	\$12,000
University of TN, Health Sci. Ctr.	0	0	0	0	0	0
University of TN, Knoxville	3	3,779	11	20,722	7	16,800
University of TN, Martin	5	5,000	21	44,400	3	7,200
TOTAL	16	\$24,779	48	\$96,322	15	\$36,000
Board of Regents / Four Years						
Austin Peay State University	8	\$15,000	19	\$36,000	5	\$12,000
East Tennessee State University	1	2,000	11	22,800	4	9,600
Middle Tennessee State University	7	9,000	35	69,300	7	16,800
Tennessee State University	7	11,000	10	22,800	9	21,600
Tennessee Technological Univer.	2	2,000	10	19,200	2	4,800
University of Memphis	12	22,000	38	85,200	8	19,200
TOTAL	37	\$61,000	123	\$255,300	35	\$84,000
State Tech / Community Colleges						
Chattanooga State Tech Com Coll	0	\$0	1	\$1,575	5	\$7,875
Cleveland State Comm College	2	1,250	7	8,663	3	4,725
Columbia State Comm College	1	937	5	5,514	0	0
Dyersburg State Comm College	4	2,500	7	7,481	3	4,725
Jackson State Comm College	6	7,344	7	10,632	3	4,725
Motlow State Comm College	5	5,625	10	9,847	1	1,575
Nashville State Comm College	3	3,125	0	0	0	0
Northeast State Tech Comm Coll	5	5,000	1	1,575	1	1,575
Pellissippi State Tech Comm Coll	8	8,750	6	6,101	3	4,725
Roane State Community College	3	3,750	10	12,996	0	0
Soutwest Tennessee Comm Coll	0	0	0	0	2	3,150
Volunteer State Community Coll	1	1,250	5	6,891	1	1,575
Walters State Community College	4	5,000	7	8,663	3	4,725
TOTAL	42	\$44,531	66	\$79,938	25	\$39,375
Total Awards By Institution Type						
Independent / Four-Years	12	\$21,000	25	\$49,200	13	\$31,200
Independent / Two-Years	1	1,250	1	788	2	3,150
Private / Business & Trade	0	0	0	0	0	0
University of Tennessee System	16	24,779	48	96,322	15	36,000
Board of Regents / Four-Years	37	61,000	123	255,300	35	84,000
State Tech / Community Colleges	42	44,531	66	79,938	25	39,375
GRAND TOTAL	108	\$152,560	263	\$481,548	90	\$193,725

**Tennessee Education Lottery Scholarship Program
Wilder-Naifeh Technical Skills Grant
Awards By Institution**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
Technology Centers						
TN Tech Center at Athens	151	\$149,372	190	\$137,422	175	\$225,766
TN Tech Center at Chattanooga	506	409,534	504	474,970	1	1,300
TN Tech Center at Covington	133	98,608	157	100,928	89	114,834
TN Tech Center at Crossville	267	211,538	275	216,556	205	265,198
TN Tech Center at Crump	262	176,060	264	181,496	190	244,832
TN Tech Center at Dickson	358	262,837	342	232,602	268	347,534
TN Tech Center at Elizabethton	405	302,078	463	318,183	282	363,999
TN Tech Center at Harriman	197	179,712	180	140,057	186	239,631
TN Tech Center at Hartsville	194	165,508	191	147,049	151	195,000
TN Tech Center at Hohenwald	333	266,368	354	256,266	317	406,899
TN Tech Center at Jacksboro	193	131,768	177	144,143	121	155,133
TN Tech Center at Jackson	499	398,675	489	363,193	402	519,567
TN Tech Center at Knoxville	507	382,651	546	394,295	374	484,033
TN Tech Center at Livingston	357	269,123	332	251,524	255	328,467
TN Tech Center at McKenzie	290	201,403	261	209,819	184	236,599
TN Tech Center at McMinnville	216	171,877	215	159,531	245	314,598
TN Tech Center at Memphis	694	542,387	547	365,514	486	628,335
TN Tech Center at Morristown	788	521,168	834	543,652	337	432,898
TN Tech Center at Murfreesboro	242	210,400	299	228,368	173	224,467
TN Tech Center at Nashville	571	399,025	551	379,784	297	382,199
TN Tech Center at Newbern	230	149,543	173	139,760	137	177,666
TN Tech Center at Oneida	93	67,893	108	61,265	90	113,099
TN Tech Center at Paris	327	227,146	384	265,723	292	375,265
TN Tech Center at Pulaski	215	152,341	350	212,786	320	414,265
TN Tech Center at Ripley	170	121,760	173	124,127 #	97	124,799
TN Tech Center at Shelbyville	433	314,477	527	338,028 #	365	473,633
TN Tech Center at Whiteville	184	130,053	175	149,552 #	97	124,366
TOTAL	8,815	\$6,613,305	9,061	\$6,536,593	6,136	\$7,914,382

**Tennessee Education Lottery Scholarship Program
Dual Enrollment Grant
Awards By Institution**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
Independent / Four -Years						
Aquinas College	0	\$0	1	\$300	0	\$0
Baptist Mem. Coll. Health & Sci.	0	\$0	0	0	0	0
Belmont University	0	\$0	0	0	0	0
Bethel College	0	\$0	0	0	0	0
Bryan College	0	\$0	2	300	0	0
Carson Newman College	0	\$0	17	6,600	0	0
Christian Brothers University	0	\$0	74	34,680	0	0
Crichton College	0	\$0	11	4,800	0	0
Cumberland University	0	\$0	0	0	0	0
David Lipscomb University	0	\$0	26	9,300	0	0
Fisk University	0	\$0	0	0	0	0
Free Will Baptist Bible College	0	\$0	0	0	0	0
Freed Hardeman University	0	\$0	46	19,500	0	0
Johnson Bible College	0	\$0	0	0	0	0
King College	0	\$0	36	10,350	0	0
Lambuth University	0	\$0	0	0	0	0
Lane College	0	\$0	0	0	0	0
Lee University	0	\$0	33	10,875	0	0
LeMoyne-Owen College	0	\$0	0	0	0	0
Lincoln Memorial University	0	\$0	0	0	0	0
Martin Methodist University	0	\$0	83	30,750	0	0
Maryville College	0	\$0	1	300	0	0
Memphis College of Art	0	\$0	0	0	0	0
Milligan College	0	\$0	0	0	0	0
Rhodes College	0	\$0	0	0	0	0
South College	0	\$0	0	0	0	0
Southern Adventist University	0	\$0	0	0	0	0
Tennessee Wesleyan College	0	\$0	0	0	0	0
Trevecca Nazarene University	0	\$0	0	0	0	0
Tusculum College	0	\$0	0	0	0	0
Union University	0	\$0	1	300	0	0
University of the South	0	\$0	0	0	0	0
Vanderbilt University	0	\$0	0	0	0	0
Watkins Inst. Coll. Of Art & Des.	0	\$0	0	0	0	0
TOTAL	0	\$0	331	\$128,055	0	\$0
Independent / Two-Years						
Hiwassee College	0	\$0	52	\$24,010	0	\$0
John A. Gupton College	0	0	0	0	0	0
TOTAL	0	\$0	52	\$24,010	0	\$0
Private / Business & Trade						
O'More College of Design	0	\$0	0	\$0	0	\$0

**Tennessee Education Lottery Scholarship Program
Dual Enrollment Grant
Awards By Institution**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
University of Tennessee System						
University of TN, Chattanooga	0	\$0	27	\$11,400	0	\$0
University of TN, Health Sci. Ctr.	0	\$0	0	0	0	0
University of TN, Knoxville	0	\$0	3	1,200	0	0
University of TN, Martin	0	\$0	544	231,300	0	0
TOTAL	0	\$0	574	\$243,900	0	\$0
Board of Regents / Four Years						
Austin Peay State University	0	\$0	15	\$4,500	0	\$0
East Tennessee State University	0	\$0	5	1,500	0	0
Middle Tennessee State University	0	\$0	9	4,800	0	0
Tennessee State University	0	\$0	1	600	0	0
Tennessee Technological Univer.	0	\$0	50	28,057	0	0
University of Memphis	0	\$0	0	0	0	0
TOTAL	0	\$0	80	\$39,457	0	\$0
State Tech / Community Colleges						
Chattanooga State Tech Com Coll	0	\$0	606	\$301,800	0	\$0
Cleveland State Comm College	0	\$0	214	87,102	0	0
Columbia State Comm College	0	\$0	281	101,900	0	0
Dyersburg State Comm College	0	\$0	91	31,292	0	0
Jackson State Comm College	0	\$0	45	21,600	0	0
Motlow State Comm College	0	\$0	270	113,707	0	0
Nashville State Comm College	0	\$0	243	91,099	0	0
Northeast State Tech Comm Coll	0	\$0	179	71,896	0	0
Pellissippi State Tech Comm Coll	0	\$0	268	97,446	0	0
Roane State Community College	0	\$0	268	77,720	0	0
Southwest Tennessee Comm Coll	0	\$0	91	31,918	0	0
Volunteer State Community Coll	0	\$0	621	170,154	0	0
Walters State Community College	0	\$0	335	119,070	0	0
TOTAL	0	\$0	3,512	\$1,316,704	0	\$0

**Tennessee Education Lottery Scholarship Program
Dual Enrollment Grant
Awards By Institution**

	2004-2005		2005-2006		2006-2007	
	Actual Recipients		Paid through 05/01/06		Eligible through 05/01/06	
	Students	\$	Students	\$	Students	\$
Technology Centers						
TN Tech Center at Athens	0	\$0	0	\$0	0	\$0
TN Tech Center at Chattanooga	0	\$0	0	0	0	0
TN Tech Center at Covington	0	\$0	19	5,700	0	0
TN Tech Center at Crossville	0	\$0	81	26,700	0	0
TN Tech Center at Crump	0	\$0	0	0	0	0
TN Tech Center at Dickson	0	\$0	0	0	0	0
TN Tech Center at Elizabethton	0	\$0	0	0	0	0
TN Tech Center at Harriman	0	\$0	4	1,200	0	0
TN Tech Center at Hartsville	0	\$0	13	4,800	0	0
TN Tech Center at Hohenwald	0	\$0	53	15,900	0	0
TN Tech Center at Jacksboro	0	\$0	20	6,000	0	0
TN Tech Center at Jackson	0	\$0	0	0	0	0
TN Tech Center at Knoxville	0	\$0	0	0	0	0
TN Tech Center at Livingston	0	\$0	61	25,800	0	0
TN Tech Center at McKenzie	0	\$0	3	900	0	0
TN Tech Center at McMinnville	0	\$0	0	0	0	0
TN Tech Center at Memphis	0	\$0	0	0	0	0
TN Tech Center at Morristown	0	\$0	25	11,400	0	0
TN Tech Center at Murfreesboro	0	\$0	1	300	0	0
TN Tech Center at Nashville	0	\$0	0	0	0	0
TN Tech Center at Newbern	0	\$0	25	11,100	0	0
TN Tech Center at Oneida	0	\$0	80	23,400	0	0
TN Tech Center at Paris	0	\$0	64	19,050	0	0
TN Tech Center at Pulaski	0	\$0	71	24,600	0	0
TN Tech Center at Ripley	0	\$0	0	0	0	0
TN Tech Center at Shelbyville	0	\$0	0	0	0	0
TN Tech Center at Whiteville	0	\$0	0	0	0	0
TOTAL	0	\$0	520	\$176,850	0	\$0
Total Awards By Institution Type						
Independent / Four-Years	0	\$0	331	\$128,055	0	\$0
Independent / Two-Years	0	0	52	24,010	0	0
Private / Business & Trade	0	0	0	0	0	0
University of Tennessee System	0	0	574	243,900	0	0
Board of Regents / Four-Years	0	0	80	39,457	0	0
State Tech / Community Colleges	0	0	3,512	1,316,704	0	0
Technology Centers	0	0	520	176,850	0	0
GRAND TOTAL	0	\$0	5,069	\$1,928,976	0	\$0

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM C: Federal Family Education Loan Program Status Report

Staff Recommendation For discussion only.

Background

The Federal Family Education Loan Program provides three types of new loans.

Subsidized Stafford loans are made to students who demonstrate financial need. Students do not have to begin repayment until they leave school, and the federal government pays the interest while the students are enrolled.

Students unable to demonstrate financial need receive similar *unsubsidized Stafford loans*. While repayment is deferred until the students leave school, they are responsible for the interest while they are enrolled.

PLUS loans are made to parents of students. Financial need is not a factor, and repayment begins immediately.

TSAC guaranteed \$767 million in these three programs in 2004-05. In the first ten months of 2005-06 processing, \$638 million has been guaranteed. Details are provided in the document *Federal Family Education Loan Program Update*, September 2, 2005.

Supporting Document

Federal Family Education Loan Program Update, June 15, 2006.

Federal Family Education Loan Program Update

June 15, 2006

Tennessee Student Assistance Corporation
Parkway Towers, Suite 1950
404 James Robertson Parkway
Nashville, Tennessee 37243-0820
(615) 741-1346

www.CollegePaysTN.com

Federal Family Education Loan Program

	2004-05		2005-06	
	Actual		Through 4/31/06	
	<u>Loans*</u>	<u>\$</u>	<u>Loans*</u>	<u>\$</u>
<u>Stafford Loan Program (Subsidized)</u>				
Independent / Four-Years	26,140	\$101,565,439	23,300	\$88,170,311
Independent / Two-Years	258	575,971	196	446,912
Private/Business and Trade	8,348	21,633,275	7,907	21,305,906
Board of Regents	24,197	82,065,169	16,298	55,988,518
University of Tennessee System	16,034	68,094,224	12,824	52,456,603
State Tech/Community Colleges	13,598	31,438,573	12,396	29,541,936
School of Nursing	39	96,839	8	11,378
Tennessee Technology Centers	<u>261</u>	<u>541,540</u>	<u>106</u>	<u>218,579</u>
	88,875	\$306,011,030	73,035	\$248,140,143
<u>Stafford Loan Program (Unsubsidized)</u>				
Independent / Four-Years	21,716	\$108,051,984	20,265	\$90,621,758
Independent / Two-Years	182	551,858	148	456,552
Private/Business and Trade	7,449	21,306,991	7,679	22,865,226
Board of Regents	16,927	57,895,086	12,762	45,570,029
University of Tennessee System	13,587	68,458,163	11,250	52,622,489
State Tech/Community Colleges	6,764	15,861,223	6,700	16,692,245
School of Nursing	43	142,536	8	13,330
Tennessee Technology Centers	<u>121</u>	<u>360,251</u>	<u>95</u>	<u>289,284</u>
	66,789	\$272,628,092	58,907	\$229,130,913
<u>PLUS Loan Program</u>				
Independent / Four-Years	4,311	\$40,331,389	4,533	\$45,302,803
Independent / Two-Years	26	121,778	25	98,566
Private/Business and Trade	570	3,313,674	544	3,972,796
Board of Regents	3,038	18,540,350	2,086	12,735,992
University of Tennessee System	1,891	13,592,006	1,610	11,556,429
State Tech/Community Colleges	137	491,679	152	651,864
Tennessee Technology Centers	<u>1</u>	<u>8,633</u>	<u>1</u>	<u>7,500</u>
	9,974	\$76,399,509	8,951	\$74,325,950
<u>COMBINED LOAN PROGRAMS</u>				
Independent / Four-Years	52,167	\$249,948,812	48,098	\$224,094,872
Independent / Two-Years	466	1,249,607	369	1,002,030
Private/Business and Trade	16,367	46,253,940	16,130	48,143,928
Board of Regents	44,162	158,500,605	31,146	114,294,539
University of Tennessee System	31,512	150,144,393	25,684	116,635,521
State Tech/Community Colleges	20,499	47,791,475	19,248	46,886,045
School of Nursing	82	239,375	16	24,708
Tennessee Technology Centers	<u>383</u>	<u>910,424</u>	<u>202</u>	<u>515,363</u>
	165,638	\$655,038,631	140,893	\$551,597,006
<u>Other (Out-of-State) Schools</u>	31,101	\$112,122,415	20,551	\$87,103,864
<u>GRAND TOTAL</u>	196,739	\$767,161,046	161,444	\$638,700,870

* *Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.*

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Subsidized*)

	2004-05		2005-06	
	Actual		Through 4/31/06	
	Loans*	\$	Loans*	\$
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College (All Branches)	766	\$2,318,124	771	\$1,938,033
Baptist Memorial College of Health	585	2,003,057	490	1,606,428
Belmont University	947	4,083,472	1,872	8,651,384
Bethel College	1,637	5,069,308	1,532	4,692,527
Bryan College	382	1,446,324	422	1,523,487
Carson-Newman College	1,307	4,095,053	1,114	3,583,751
Christian Brothers University	1,075	4,371,723	1,024	4,037,849
Church of God Theological Seminary	114	671,745	100	684,689
Cumberland University	927	2,583,508	710	2,063,344
David Lipscomb University	1,207	4,122,900	1,009	3,636,646
Emmanuel School of Religion	23	140,900	26	162,620
Free Will Baptist Bible College	206	755,265	212	795,020
Freed-Hardeman University	93	335,741	17	76,344
Johnson Bible College	435	1,474,295	327	1,136,928
King College	562	2,479,111	450	1,815,619
Lambuth University	420	1,487,765	402	1,415,030
Lee University	3,119	10,131,123	2,751	9,366,161
Lincoln Memorial University	1,587	5,289,298	1,751	6,231,497
Martin Methodist College	479	1,481,146	504	1,575,750
Maryville College	613	2,375,377	463	1,704,836
Meharry Medical College	820	6,846,253	129	1,033,229
Memphis College of Art	214	776,401	55	197,248
Memphis Theological Seminary	29	229,185	17	122,223
Milligan College	621	2,938,752	414	1,710,457
Rhodes College	107	387,317	54	236,871
Southern College of Optometry	1	8,500	2	17,000
Temple Baptist Seminary	8	51,200	10	57,889
Tennessee Temple University	1	1,045	1	1,750
Tennessee Wesleyan College	775	2,868,939	405	1,328,990
Trevecca Nazarene University	1,878	7,946,808	1,168	4,874,845
Tusculum College	1,844	6,318,943	1,650	5,400,372
Union University	869	3,410,346	1,286	5,606,304
University of the South	265	665,342	292	923,835

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Subsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 4/31/06 \$
Vanderbilt University (All Branches)	2,033	11,739,749	1,678	9,278,564
Watkins College of Art and Design	<u>191</u>	<u>661,424</u>	<u>192</u>	<u>682,791</u>
TOTAL	26,140	\$101,565,439	23,300	\$88,170,311
AVERAGE LOAN		\$3,885		\$3,556
<u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College	169	\$362,267	155	\$354,317
John A Gupton College	<u>89</u>	<u>213,704</u>	<u>41</u>	<u>92,595</u>
TOTAL	258	\$575,971	196	\$446,912
AVERAGE LOAN		\$2,232		\$2,280
<u>PRIVATE/BUSINESS & TRADE</u>				
Arnolds Beauty School	39	\$89,404	33	\$126,675
Concorde Career Institute	53	106,106	4	8,248
Draughon's Junior College (All Branches)	3,199	7,918,424	3,207	7,961,598
Electronic Computer Programming College	149	342,571	108	247,870
Fountainhead College of Technology	201	645,949	166	527,918
Institute of Hair Design	0	0	1	2,625
ITT Technical Institute (All Branches)	0	0	3	9,625
Jon Nave University of Cosmetology	11	17,214	7	12,975
McCollum & Ross - The Hair School	149	368,098	79	197,214
MedVance Institute	298	756,731	57	137,991
Middle Tennessee School of Anesthesia	148	1,154,622	173	1,350,080
Miller-Motte Business College (All Branches)	732	1,532,986	967	2,473,027
Mr Wayne's School Unisex Hair Design	12	30,272	7	18,375
Nashville Auto Diesel College	9	19,430	4	12,250
Nashville College of Medical Career	252	627,031	202	509,953
New Directions Hair Academy (All Branches)	342	727,380	168	375,274
New Wave Hair Academy (All Branches)	499	1,241,860	273	673,401
North Central Institute	22	54,337	30	72,694
Nossi College of Art	383	1,076,801	375	1,063,082
O'More College of Design	94	328,809	108	387,679
Plaza Beauty School	107	242,816	108	233,104
Queen City Hair Design	1	2,486	0	0

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Subsidized*)

	2004-05		2005-06	
	Actual		Through 4/31/06	
	Loans*	\$	Loans*	\$
SAE Institute of Technology	0	0	128	335,775
South College	1,122	3,213,633	978	2,781,383
Southeastern Career College	3	7,875	310	842,125
Tennessee Academy of Cosmetology (All Branches)	221	350,346	179	330,188
Tennessee Career College	120	332,941	74	236,361
Volunteer Beauty Academy (All Branches)	<u>182</u>	<u>445,153</u>	<u>158</u>	<u>378,416</u>
TOTAL	8,348	\$21,633,275	7,907	\$21,305,906
AVERAGE LOAN		\$2,591		\$2,695

BOARD OF REGENTS

Austin Peay State University	6,434	\$20,915,372	4,327	\$13,635,895
East Tennessee State University	6,688	25,087,621	4,327	16,714,619
Middle Tennessee State University	11,064	36,013,205	7,636	25,608,629
Tennessee State University	11	48,971	7	26,750
Tennessee Technological University	<u>0</u>	<u>0</u>	<u>1</u>	<u>2,625</u>
TOTAL	24,197	\$82,065,169	16,298	\$55,988,518
AVERAGE LOAN		\$3,392		\$3,435

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	2,955	\$10,790,199	2,893	\$11,121,871
University of Tennessee, Knoxville	9,134	40,187,060	6,744	29,300,110
University of Tennessee, Martin	3,035	9,780,023	2,914	9,861,808
University of Tennessee, Memphis	<u>910</u>	<u>7,336,942</u>	<u>273</u>	<u>2,172,814</u>
TOTAL	16,034	\$68,094,224	12,824	\$52,456,603
AVERAGE LOAN		\$4,247		\$4,091

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	3,505	\$9,256,661	2,897	\$7,624,111
Cleveland State Community College	516	1,152,615	450	1,011,340
Columbia State Community College	924	2,245,348	990	2,461,965
Dyersburg State Community College	581	1,286,548	625	1,454,820
Nashville State Technical Community College	1,855	4,175,611	1,905	4,605,109
Northeast State Technical Community College	1,101	2,252,951	961	2,213,241

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Subsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Through 4/31/06 Loans*	\$
Pellissippi State Technical Community College	1,658	3,047,684	1,407	2,806,846
Roane State Community College	973	2,619,095	976	2,526,121
Volunteer State Community College	1,528	3,234,046	1,459	3,152,171
Walters State Community College	<u>957</u>	<u>2,168,014</u>	<u>726</u>	<u>1,686,212</u>
TOTAL	13,598	\$31,438,573	12,396	\$29,541,936
AVERAGE LOAN		\$2,312		\$2,383
<u>SCHOOL OF NURSING</u>				
Methodist Hospital School of Nursing	39	\$96,839	8	\$11,378
TOTAL	<u>39</u>	<u>\$96,839</u>	<u>8</u>	<u>\$11,378</u>
AVERAGE LOAN		\$2,483		\$1,422
<u>TENNESSEE TECHNOLOGY CENTERS</u>				
Tennessee Technology Center at Hohenwald	103	\$220,785	0	0
Tennessee Technology Center at Nashville	<u>158</u>	<u>320,755</u>	<u>106</u>	<u>218,579</u>
TOTAL	<u>261</u>	<u>\$541,540</u>	<u>106</u>	<u>\$218,579</u>
AVERAGE LOAN		\$2,075		\$2,062
<u>GRAND TOTAL</u>	88,875	\$306,011,030	73,035	\$248,140,143
AVERAGE LOAN		\$3,443		\$3,398

* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Actual		Through 4/31/06	
	Loans*	\$	Loans*	\$
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College (All Branches)	731	\$2,785,912	663	\$2,417,272
Baptist Memorial College of Health	541	2,170,089	453	1,750,116
Belmont University	768	4,223,302	1,337	7,899,883
Bethel College	1,418	4,967,483	1,391	4,872,174
Bryan College	218	837,328	228	787,275
Carson-Newman College	869	2,815,345	849	2,835,927
Christian Brothers University	1,032	4,932,766	976	4,582,516
Church of God Theological Seminary	33	140,972	32	168,365
Cumberland University	1,139	3,260,379	883	2,912,710
David Lipscomb University	712	2,619,923	806	3,237,842
Emmanuel School of Religion	7	31,550	3	11,500
Free Will Baptist Bible College	93	365,769	127	490,677
Freed-Hardeman University	56	218,300	7	38,438
Johnson Bible College	275	906,808	242	786,743
King College	310	1,478,164	302	1,377,655
Lambuth University	249	805,149	265	800,955
Lee University	1,927	6,649,281	1,890	6,667,062
Lincoln Memorial University	1,817	8,864,313	2,050	10,954,493
Martin Methodist College	380	1,166,952	418	1,383,268
Maryville College	433	1,606,434	321	1,159,546
Meharry Medical College	837	19,137,837	156	3,097,055
Memphis College of Art	149	615,047	42	158,985
Memphis Theological Seminary	4	25,600	4	30,882
Milligan College	464	2,246,840	354	1,511,551
Rhodes College	82	306,072	48	207,018
Southern College of Optometry	1	7,944	4	8,910
Temple Baptist Seminary	2	11,500	5	38,620
Tennessee Temple University	1	1,500	1	8,000
Tennessee Wesleyan College	539	1,918,764	339	1,149,160
Trevecca Nazarene University	1,722	8,381,137	1,167	5,805,183
Tusculum College	1,738	6,963,735	1,589	6,282,713
Union University	933	3,982,970	1,247	6,578,690
University of the South	187	546,058	194	664,215

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Loans*	Actual \$	Loans*	Through 4/31/06 \$
Vanderbilt University (All Branches)	1,895	12,486,639	1,725	9,362,711
Watkins College of Art and Design	<u>154</u>	<u>574,122</u>	<u>147</u>	<u>583,648</u>
TOTAL	21,716	\$108,051,984	20,265	\$90,621,758
AVERAGE LOAN		\$4,976		\$4,472
<u>INDEPENDENT/TWO-YEARS</u>				
Hiwassee College	105	\$280,958	100	\$307,870
John A Guppton College	<u>77</u>	<u>270,900</u>	<u>48</u>	<u>148,682</u>
TOTAL	182	\$551,858	148	\$456,552
AVERAGE LOAN		\$3,032		\$3,085
<u>PRIVATE/BUSINESS & TRADE</u>				
Arnolds Beauty School	28	\$83,269	26	\$74,566
Concorde Career Institute	42	69,231	3	4,131
Draughon's Junior College (All Branches)	2,735	5,242,151	3,303	6,498,190
Electronic Computer Programming College	110	184,066	79	121,927
Fountainhead College of Technology	164	638,600	116	438,183
ITT Technical Institute (All Branches)	1	2,625	3	11,500
Jon Nave University of Cosmetology	8	16,083	2	1,411
McCollum & Ross - The Hair School	142	525,430	74	268,235
MedVance Institute	272	730,112	40	117,797
Middle Tennessee School of Anesthesia	165	1,792,790	181	1,944,709
Miller-Motte Business College (All Branches)	711	1,743,537	960	3,230,489
Mr Wayne's School Unisex Hair Design	3	7,875	1	2,625
Nashville Auto Diesel College	6	16,966	2	8,000
Nashville College of Medical Career	266	601,825	216	612,410
New Directions Hair Academy (All Branches)	259	711,621	159	434,898
New Wave Hair Academy (All Branches)	468	1,716,940	264	963,846
North Central Institute	18	63,000	26	92,000
Nossi College of Art	330	1,263,615	337	1,317,824
O'More College of Design	58	248,352	76	325,131
Plaza Beauty School	91	184,582	72	166,672
SAE Institute of Technology	0	0	96	379,625
South College	1,088	4,172,442	956	3,700,331

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Unsubsidized*)

	2004-05		2005-06	
	Actual		Through 4/31/06	
	Loans*	\$	Loans*	\$
Southeastern Career College	3	12,000	312	1,140,648
Tennessee Academy of Cosmetology (All Branches)	196	240,443	168	235,672
Tennessee Career College	143	499,572	78	301,850
Volunteer Beauty Academy (All Branches)	<u>142</u>	<u>539,864</u>	<u>129</u>	<u>472,556</u>
TOTAL	7,449	\$21,306,991	7,679	\$22,865,226
AVERAGE LOAN		\$2,860		\$2,978

BOARD OF REGENTS

Austin Peay State University	4,545	\$15,889,993	3,387	\$12,061,296
East Tennessee State University	3,869	13,597,075	2,978	11,341,546
Middle Tennessee State University	8,504	28,369,248	6,389	22,128,239
Tennessee State University	9	38,770	7	34,948
Tennessee Technological University	<u>0</u>	<u>0</u>	<u>1</u>	<u>4,000</u>
TOTAL	16,927	\$57,895,086	12,762	\$45,570,029
AVERAGE LOAN		\$3,420		\$3,571

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	2,557	\$9,002,868	2,429	\$9,197,843
University of Tennessee, Knoxville	7,616	37,823,689	5,980	30,384,708
University of Tennessee, Martin	2,255	7,566,040	2,344	8,345,191
University of Tennessee, Memphis	<u>1,159</u>	<u>14,065,566</u>	<u>497</u>	<u>4,694,747</u>
TOTAL	13,587	\$68,458,163	11,250	\$52,622,489
AVERAGE LOAN		\$5,039		\$4,678

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	1,084	\$2,484,146	1,000	\$2,368,426
Cleveland State Community College	381	750,716	317	651,319
Columbia State Community College	850	2,205,744	749	2,067,403
Dyersburg State Community College	207	406,184	200	431,612
Nashville State Technical Community College	1,368	4,107,625	1,418	4,629,866
Northeast State Technical Community College	612	990,687	560	1,022,710
Pellissippi State Technical Community College	704	1,239,483	749	1,393,930
Roane State Community College	648	1,880,427	729	2,105,472

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal Stafford Loan Program (*Unsubsidized*)

		2004-05		2005-06	
		Actual		Through 4/31/06	
		Loans*	\$	Loans*	\$
Volunteer State Community College Walters State Community College		451	840,486	516	1,028,630
		<u>459</u>	<u>955,725</u>	<u>462</u>	<u>992,877</u>
	TOTAL	6,764	\$15,861,223	6,700	\$16,692,245
	AVERAGE LOAN		\$2,345		\$2,491
<u>SCHOOL OF NURSING</u>					
Methodist Hospital School of Nursing		43	\$142,536	8	\$13,330
		<u>43</u>	<u>\$142,536</u>	<u>8</u>	<u>\$13,330</u>
	TOTAL		\$3,315		\$1,666
	AVERAGE LOAN				
<u>TENNESSEE TECHNOLOGY CENTERS</u>					
Tennessee Technology Center at Nashville		<u>121</u>	<u>\$360,251</u>	<u>95</u>	<u>\$289,284</u>
		121	\$360,251	95	\$289,284
	TOTAL		\$2,977		\$3,045
	AVERAGE LOAN				
<u>GRAND TOTAL</u>		66,789	\$272,628,092	58,907	\$229,130,913
	AVERAGE LOAN		\$4,082		\$3,890

* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal PLUS Loan Program

	2004-05		2005-06	
	Actual		Through 4/31/06	
	Loans*	\$	Loans*	\$
<u>INDEPENDENT/FOUR-YEARS</u>				
Aquinas College (All Branches)	45	\$218,825	66	\$380,450
Baptist Memorial College of Health	50	211,875	71	342,175
Belmont University	520	6,424,791	725	10,354,495
Bethel College	41	173,528	46	254,389
Bryan College	107	914,670	138	1,099,134
Carson-Newman College	260	1,720,707	245	1,760,973
Christian Brothers University	120	755,063	106	720,129
Cumberland University	119	728,681	120	789,483
Free Will Baptist Bible College	64	510,270	75	628,649
Freed-Hardeman University	8	65,615	4	60,770
Johnson Bible College	85	383,767	68	318,824
King College	110	769,073	97	732,838
Lambuth University	92	655,716	67	504,414
Lee University	408	3,075,595	426	3,505,253
Lincoln Memorial University	130	639,379	156	675,346
Lipscomb University	411	3,471,915	418	3,568,985
Martin Methodist College	43	228,400	64	337,241
Maryville College	180	1,430,751	144	1,046,162
Memphis College of Art	93	1,304,959	17	222,927
Milligan College	128	1,024,382	138	1,115,824
Rhodes College	44	549,380	27	291,028
Southern Adventist University	1	15,000	0	0
Temple Baptist Seminary	0	0	1	4,901
Tennessee Wesleyan College	84	456,090	112	713,432
Trevecca Nazarene University	246	1,959,052	240	1,946,705
Tusculum College	143	905,674	123	843,466
Union University	181	1,661,532	220	2,093,729
University of the South	120	1,653,422	136	2,203,868
Vanderbilt University (All Branches)	468	8,359,955	452	8,501,892
Watkins College of Art and Design	10	63,322	31	285,321
TOTAL	4,311	\$40,331,389	4,533	\$45,302,803
AVERAGE LOAN		\$9,355		\$9,994

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal PLUS Loan Program

	2005-06
	Through 4/31/06
Loans*	\$

INDEPENDENT/TWO-YEARS

Hiwassee College	16	84,912
John A Gupton College	10	36,866
	<u>26</u>	<u>\$121,778</u>
TOTAL		\$4,684
AVERAGE LOAN		

PRIVATE/BUSINESS & TRADE

Arnolds Beauty School	5	25,800
Concorde Career Institute	2	5,814
Draughon's Junior College (All Branches)	111	369,953
Electronic Computer Programming College	35	75,400
Fountainhead College of Technology	50	447,054
ITT Technical Institute (All Branches)	3	27,514
McCollum & Ross - The Hair School	6	38,260
MedVance Institute	10	34,670
Miller-Motte Business College (All Branches)	40	228,510
Mr Wayne's School Unisex Hair Design	1	2,400
Nashville Auto Diesel College	36	213,288
Nashville College of Medical Career	7	40,483
New Directions Hair Academy (All Branches)	41	263,412
New Wave Hair Academy (All Branches)	6	32,682
North Central Institute	4	24,501
Nossi College of Art	47	419,200
O'More College of Design	27	244,333
Plaza Beauty School	14	88,545
SAE Institute of Technology	0	0
South College	0	0
Southeastern Career College	69	534,812
Tennessee Academy of Cosmetology (All Branches)	16	30,104
Tennessee Career College	20	84,756
Volunteer Beauty Academy (All Branches)	20	82,183
TOTAL	570	\$3,313,674
AVERAGE LOAN		\$5,813

	15	61,126
	10	37,440
	<u>25</u>	<u>\$98,566</u>
		\$3,943

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal PLUS Loan Program

	2005-06
	Through 4/31/06
Loans*	\$

BOARD OF REGENTS

Austin Peay State University	433	2,342,112	302	1,666,039
East Tennessee State University	667	4,111,110	499	3,172,720
Middle Tennessee State University	1,561	9,306,433	1,064	6,611,289
Tennessee State University	172	1,696,083	8	76,980
Tennessee Technological University	<u>205</u>	<u>1,084,612</u>	<u>213</u>	<u>1,208,964</u>
TOTAL	3,038	\$18,540,350	2,086	\$12,735,992
AVERAGE LOAN		\$6,103		\$6,105

UNIVERSITY OF TENNESSEE SYSTEM

University of Tennessee, Chattanooga	340	1,759,544	297	1,732,621
University of Tennessee, Knoxville	1,290	10,651,929	1,008	8,688,315
University of Tennessee, Martin	261	1,180,533	294	1,045,493
University of Tennessee, Memphis	<u>0</u>	<u>0</u>	<u>11</u>	<u>90,000</u>
TOTAL	1,891	\$13,592,006	1,610	\$11,556,429
AVERAGE LOAN		\$7,188		\$7,178

STATE TECH/COMMUNITY COLLEGES

Chattanooga State Technical Community College	0	0	21	74,412
Cleveland State Community College	30	127,562	12	34,728
Columbia State Community College	11	35,074	17	88,700
Dyersburg State Community College	8	27,114	4	12,600
Nashville State Technical Community College	0	0	5	24,500
Northeast State Technical Community College	3	21,124	17	80,637
Pellissippi State Technical Community College	4	12,350	59	264,479
Roane State Community College	67	214,701	0	0
Volunteer State Community College	0	0	17	71,808
Walters State Community College	<u>14</u>	<u>53,754</u>	<u>0</u>	<u>0</u>
TOTAL	137	\$491,679	152	\$651,864

TENNESSEE STUDENT ASSISTANCE CORPORATION
Federal PLUS Loan Program

	2004-05 Actual	2005-06 Through 4/31/06
Loans*	\$	\$
AVERAGE LOAN	\$3,589	\$4,289

TENNESSEE TECHNOLOGY CENTERS

Tennessee Technology Center at Nashville	$\frac{1}{1}$	$\frac{1}{1}$
TOTAL	<u>\$8,633</u>	<u>\$7,500</u>
AVERAGE LOAN	\$8,633	\$7,500

GRAND TOTAL

AVERAGE LOAN	9,974	8,951
	\$76,399,509	\$74,325,950
	\$7,660	\$7,500

* Note that the number of loans is reported on a semester or term basis. For example, two loans would be reported for an individual who borrowed in both the fall and spring semesters.

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM D: Compliance Division Report

Recommendation For discussion only.

Background The Compliance Division's primary responsibility is to monitor schools and lenders administration of financial aid programs to ensure they are complying with state and federal regulations. Compliance is monitored by conducting program reviews at various schools and lenders each year.

The Compliance Division also develops and conducts Training activities for TSAC. Training programs are focused primarily for the financial aid community but includes our own TSAC staff as needed. In May, members of the TSAC staff offered training workshops across the state. Six cities were visited: Cleveland, Jackson, Knoxville, Memphis, Morristown, and Nashville.

Three of TSAC's outreach programs are led by Compliance staff; the College Goal Sunday Program, High School Peer Counselors Program and High School Counselors Internship Program. All three programs have had active participation and cooperation from our financial aid and school partners.

Supporting Document *Compliance Division Year-End Report, June 15, 2006.*

Compliance Division Year-End Report June 15, 2006

2005-06 School Program Reviews	Totals
Technology Centers	5
State Colleges/Universities	5
Private Colleges/Universities	5
Proprietary Schools	6
Total	21
2005-06 Lender Reviews	Totals
Top Ten Lenders	7
Total	7
Quality Quest Reviews	Totals
Private Colleges	5
Total	5

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM E: **Tennessee Student Assistance Award Program Taskforce Progress Report**

Staff Recommendation For discussion only.

Background The Tennessee Student Assistance Award (“TSAA”) Program is Tennessee’s primary need-based grant program. Available TSAA resources for 2005-06 total about \$42.4 million.

At the Board’s September 19, 2005 meeting, the Chair asked that a small taskforce be assembled to review the TSAA program and to make recommendations to the full board. The group was asked to address eligibility requirements, application deadline dates, and the formula used to determine award amounts. The purpose was to determine if, in an environment of limited resources, existing resources could be better-targeted.

Task force members include:

Russ Deaton, Tennessee Higher Education Commission
Naomi Derryberry, Tennessee Student Assistance Corp.
Will Doyle, Vanderbilt University
Jeff Gerkin, University of Tennessee
Greg Schutz (Chair), Tennessee Board of Regents

The taskforce has met on several occasions, including an open forum with the financial aid community on April 12, 2006. A progress report was presented to the board on March 23, 2006.

In today’s progress report, members of the taskforce will review several possible scenarios for improving the TSAA program. Strengths and weaknesses will be described, and input from board members will be sought.

A final report will be provided at a future board meeting.

Supporting Document None.

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM F: Status of Federal Reserve Recall

Staff Recommendation For discussion only.

Background Repayment of Federal Family Education Loan Program (FFELP) funds was mandated by the Higher Education Act of 1965, as amended. Section 422(h) required guaranty agencies to return \$1 billion from the Federal Reserve funds held. Tennessee's share was \$23,597,217 and was returned in full, during September of 2002, as requested.

Section 422(i) required an additional \$250 million to be returned by the guaranty agencies in 3 installments, to begin at the close of the 2002 Federal Fiscal Year. Tennessee's share was \$3,989,492. The first payment, in the amount of \$1,356,427 (34%), was made during September, 2002. The second payment of \$1,316,532.50 is due in September, 2006. The final payment of, \$1,316,532.50, is to be returned in September, 2007.

Each year TSAC is required to submit an Annual Report to the United States Department of Education which reflects the status of the Federal Student Loan Reserve Fund as of September 30th. Unpaid recall amounts are classified as "Other Liabilities", in accordance with Federal guidelines and are not included in the agency's Federal Reserve Ratio calculation.

Supporting Document *Federal Student Loan Reserve Fund 2005 Report Summary, June 15, 2006.*

Tennessee Student Assistance Corporation
Federal Student Loan Reserve Summary
June 15, 2006

As of September 30, 2005:

Cash Equivalents and Investments:	\$19,040,612.00
Less:	
Other Liabilities (Unpaid Recall Amounts)	(2,633,065.00)
Allowances (for future claim payments)	(500,000.00)
Reserve Fund Balance:	\$15,907,547.00
Original Principal Outstanding:	\$4,477,731,714.00

Reserve Ratio:	0.36
Required Reserve Ratio:	0.25
Difference:	0.11

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM G: TSAC Budget for 2006-07

Staff Recommendation For discussion only.

Background A summary of the Fiscal Year 2006-2007 budget improvements for TSAC will be presented.

Supporting Document To be distributed.

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

DISCUSSION ITEM H: 2006 General Assembly Legislative Report

Staff Recommendation For discussion only.

Background Various bills were introduced to the 104th Tennessee General Assembly and considered during the 2006 legislative session. The General Assembly adjourned on Saturday, May 27.

Although several bills have been passed by both houses of the legislature, at date of press, only one bill has been signed by the Governor that appears to merit Board discussion. HB 3097, which was advanced by the Governor and TSAC, amended the Tennessee Student Assistance Award statute to eliminate the prohibition of proration of TSAA awards by TSAC.

An update on HB 3097 and other legislation of significance will be distributed at the Board meeting.

Supporting Document To be distributed.

TENNESSEE STUDENT ASSISTANCE CORPORATION

Thursday, June 15, 2006

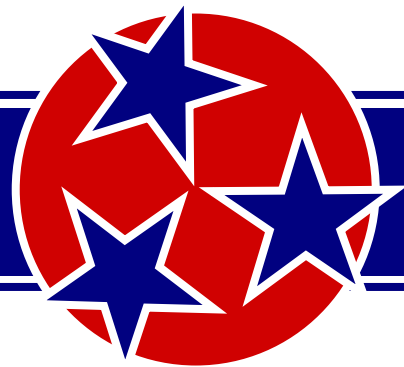
DISCUSSION ITEM I: Tennessee Education Lottery Scholarship Program Profiles

Staff Recommendation For discussion only.

Background The Tennessee Higher Education Commission annually produces a profile of Tennessee Education Lottery Scholarship recipients. Data include race, gender, income, and retention rates.

At today's meeting, the Director of Research and Planning for the Tennessee Higher Education Commission, Rob Anderson, will review these and other measures with the Board.

Supporting Document *Tennessee Education Lottery Scholarship Program Annual Report: 2004-05 Academic Year, May 30, 2006.*



**TENNESSEE EDUCATION LOTTERY
SCHOLARSHIP PROGRAM
ANNUAL REPORT**

2004-05 Academic Year

May 30, 2006

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EXECUTIVE SUMMARY

- **The 2004-05 academic year marked the inauguration of the Tennessee Education Lottery Scholarship program.**
 - More than 39,000 students received lottery funded scholarships with total award allocations in excess of \$93,000,000
 - More than 8,500 Tennesseans took advantage of the Wilder-Naifeh Technical Skills Grant
 - The distribution of students geographically includes recipients from each of Tennessee's 95 counties
- **The 2004-05 academic year gave rise to record enrollments across Tennessee higher education.**
 - The number of first-time freshmen enrolled in the public sector institutions increased by 6.9 percent (2,003 students)
 - The overall percentage of recent high school graduates who enrolled in college increased by 2 percent over the prior year
 - More Tennesseans elected to attend college in-state, as the number of students enrolled in out-of-state institutions declined by 4 percent
 - However, the percentage of Tennessee high school graduates enrolling in the nation's "elite institutions" increased by three percent
- **To provide financial assistance as a means to promote access, the Tennessee HOPE program offers enhanced scholarships ("ASPIRE") to students from low income households.**
 - The need-based supplement is a hallmark of the program, as more than 8,000 recipients also received an ASPIRE award, with expenditures totaling more than \$26 million
 - Of the 3,075 African Americans eligible for HOPE, more than one-half were also eligible for the ASPIRE bookend award
- **While the Tennessee HOPE program expanded college access opportunities, many of these students entered college with academic deficiencies.**
 - Of those freshmen who received scholarships at public sector institutions, approximately 29 percent needed some form of remedial/developmental instruction
 - Only 37 percent of freshman who required remediation retained their scholarships the subsequent fall

- **An examination of scholarship attrition rates suggests a correlation between academic preparation as evidenced through standardized test scores and scholarship retention.**
 - When considering the entire student population, 57 percent of recipients who failed to retain their award scored “21 or below” on the ACT examination
 - Furthermore, 3 percent of students who failed to retain their scholarship scored “29 or above” on the ACT
- **Academic research on merit-based aid programs has highlighted the disproportionate effects such programs have on low income and minority students. The Tennessee HOPE program reveals that it is not immune from such criticism.**
 - 84.2 percent of Tennessee HOPE recipients were Caucasian and 10.1 percent were African American, compared to 74 percent and 19 percent accordingly in the overall undergraduate enrollment
 - Only 19 percent of all the Tennessee ACT test takers come from households with an annual adjusted gross income of \$80,000 or more, but 33 percent of all first-time freshmen HOPE recipients come from households in this income class
- **The Tennessee Education Lottery Scholarship program has enhanced financial aid opportunities for low-income Tennesseans.**
 - Once fully implemented, the Tennessee HOPE program will provide more than \$100 million dollars to Tennesseans from low-income households, which has the potential to outstrip the funds available through traditional financial aid mechanisms
 - By requiring all students to complete the Free Application for Federal Student Aid (FAFSA), the state is opening a window of opportunity for additional federal, state, and institutional financial aid
 - During 2004-05, almost \$13 million in additional federal Pell awards (over 2003-04) was provided to 5,306 Tennesseans (for an average award of approximately \$2,400)
- **Perceptions of the impact of scholarships on high school students in these under-represented groups suggest that, through outreach and other initiatives associated with the merit-aid program, college enrollment will gradually increase.**
 - The college decision process of those students from families earning less than \$36,000 year is three times more likely than that of students from higher income households (income above \$80,000) to be perceived as being influenced by the receipt of merit-based aid
 - The college decision process of African Americans is almost twice as likely as that of Caucasians to be perceived as being influenced by the receipt of merit-based aid

BACKGROUND

Pursuant to T.C.A. §49-4-903(b), the Tennessee Higher Education Commission (THEC) is to annually report findings related to the lottery scholarship program to the General Assembly at the beginning of each legislative session. The overview that follows presents an analysis of the 2004-05 cohort of Tennessee Education Lottery Scholarship recipients; this analysis is delineated by select academic and demographic characteristics. The report will be followed by a series of detailed analyses and reports to be released in spring 2006 that will elaborate upon issues such as student perceptions, college preparation, academic performance and scholarship retention.

Tennessee Education Lottery Scholarship Program

The Tennessee Education Lottery Scholarship program was designed to meet the unique needs of the state of Tennessee by incorporating the hallmark elements of existing financial aid models in other states. Developed through a process involving both elected officials and members of the academic community, the Tennessee HOPE program aims to address the following broad public policy objectives:

- Improve academic achievement in high school through scholarship incentive;
- Provide financial assistance as a means of promoting access to higher education;
- Retain the state's 'best and brightest' students in Tennessee colleges and universities;
- Enhance and promote economic and community development through workforce training.

The Tennessee Education Lottery Scholarship program includes five unique scholarship awards, each with differential eligibility requirements. The Wilder-Naifeh Technical Skills Grant was designed to address the final goal noted above and is available to all students enrolled in certificate and other diploma programs at Tennessee Technology Centers (TTC).¹ All other scholarships and award components of the Tennessee HOPE program require students to meet various combinations of high school grade point averages (GPA) and standardized test scores (ACT or SAT). While initial eligibility criteria differ by award, the renewal criteria remain consistent across all award types: 2.75 cumulative GPA after 24 credit hours and 3.0 cumulative GPA for each subsequent 24 credit hours attempted. The following chart outlines award amounts and eligibility requirements for the 2004-05 academic year²:

¹ With the exception of the total number of scholarship recipients and award amounts, this report does not include analysis on the Wilder-Naifeh Technical Skills Grant. A comprehensive overview, however, will be made available on the THEC website (www.state.tn.us/thec).

² The award amounts and eligibility (and renewal) requirements applicable to the academic year 2004-05 cohort differ slightly from those in place for the 2005-06 academic year. These differences and their associated impacts will be discussed in more detail in next year's report. As an aside, beginning with the 2005-06 cohort, the HOPE with Need-Based Supplement will be formally referred to as the "ASPIRE" award.

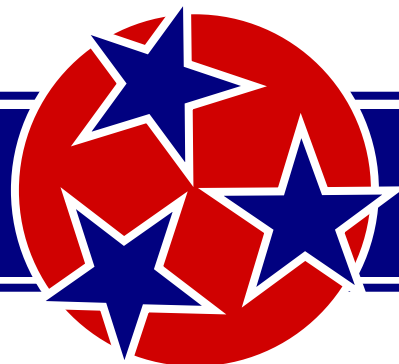
Award Requirements	HOPE (base)	General Assembly Merit Scholarship	HOPE w/ Need supplement	HOPE ACCESS Award	Wilder - Naifeh Technical Skills Grant
Amount (4-yr.)	\$3,000	\$4,000	\$4,000	\$2,000	N / A
Amount (2-yr.)	\$1,500	\$2,500	\$2,500	\$1,250	\$1,250
High School GPA	3.00	3.75	3.00	2.75	N / A
ACT	or 19	and 29	or 19	and 18	N / A
Family Adjusted Gross Income	N / A	N / A	\$36,000 or less	\$36,000 or less	N / A

The analysis of the lottery scholarship program is of interest to many Tennesseans – students, parents, teachers, colleges, high schools, and the business community. Indeed, the lottery scholarship program applies to the entire P-16 education community. The lottery scholarship program is unique when compared to other educational reform efforts in that it brings each of the aforementioned entities together to focus on one common goal – ensuring that students are prepared to receive and retain their Tennessee HOPE scholarship.

In what follows, we present a report of the initial implementation year of the Tennessee Education Lottery Scholarship program. The report is organized as follows: First, we provide a succinct overview of the scholarship distribution by award type, educational system, and county.³ Second, we examine the direct impact of the scholarship program on college access and out-of-state migration. Third, we examine some of the negative social consequences of merit-aid programs (like Tennessee’s HOPE) that have been discussed in the academic literature. Next, we explore an indirect consequence of the HOPE program with particular attention given to the role of student preparation and standardized testing performance on scholarship retention. Finally, the report introduces what we believe to be the overlooked positive social consequences of broad based merit-aid initiatives such as the Tennessee Education Lottery Scholarship program.

³ Please visit the THEC website (www.state.tn.us/thec) for a comprehensive and longitudinal data-based overview of the HOPE program aggregated by award type, educational system, county, institution, and an array of demographic characteristics. In late Spring 2006, the Commission will also release a report on scholarship participation rates by high school. Developed in conjunction with ACT, this report will provide an overview of academic preparation, college participation, and scholarship retention.

Allocation of Awards and Overview of Scholarship Distribution: 2004-05



The 2004-05 academic year marked a turning point for financial aid in the state of Tennessee. While the state has historically offered a broad complement of need and merit-based aid programs, the advent of the Tennessee Education Lottery Scholarship program significantly expanded the size and scope of the state's financial aid enterprise. In its first full year of existence, 39,057 students received lottery scholarships at more than 85 post-secondary institutions across both the public and independent sectors of Tennessee higher education. This group of students represents the "first cohort" of scholarship recipients; this cohort received a combined total of \$93,340,500 in scholarship awards for the 2004-05 academic year.⁴

The overall distribution of awards by scholarship type is detailed in the table below:

Scholarship	Recipients	Allocation
HOPE (Base Only)	20,750	\$52,940,188
HOPE (with Need)	7,725	\$26,015,600
HOPE (w/General Assembly Merit)	1,957	\$7,644,169
ACCESS	100	\$150,935
Wilder-Naifeh Technical Skills Grant	8,525	\$6,589,608
Total	39,057	\$93,340,500

As noted in the table above, the majority of scholarship recipients received the base Tennessee HOPE award during the 2004-05 academic year, totaling \$52,940,188 in scholarship expenditures. In addition to the base award, almost one-third of HOPE recipients (approximately 10,000 students) also received one of the bookend supplemental awards either through exceptional academic merit (1,957 General Assembly Merit Scholarships) or financial need (7,725 ASPIRE Supplement awards). The need-based supplement is a hallmark of the Tennessee Education Lottery Scholarship program; of the fourteen states with broad based merit-aid programs, Tennessee alone offers additional financial incentives to students who meet academic requirements but also have pronounced financial need.⁵

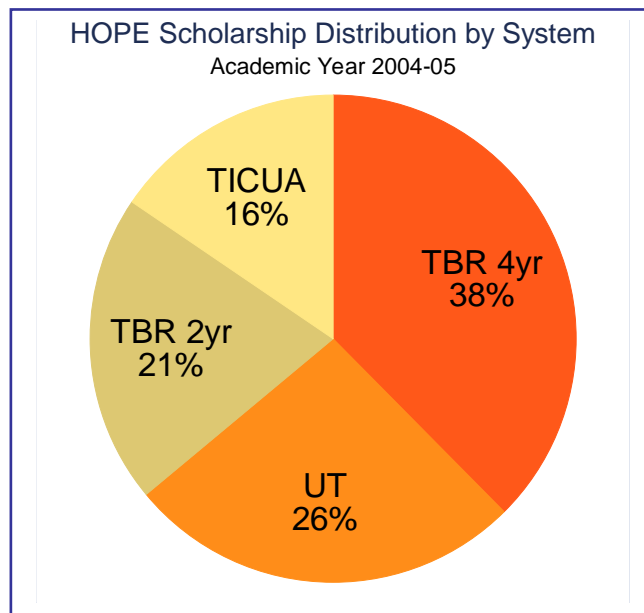
⁴ The distribution of students across both public and private post-secondary institutions is representative of the depth and breadth of the Tennessee HOPE scholarship program. Please visit the THEC website (www.state.tn.us/thec) for a detailed overview of scholarship enrollment by institution.

⁵ See Heller, D. E., & Marin, P. (Eds.). (2004). *State Merit Scholarship Programs and Racial Inequality*. Cambridge, MA: The Civil Rights Project at Harvard University.

RECIPIENTS BY SYSTEM

Examining the distribution of Tennessee HOPE awards by system (see figure below), the Tennessee Board of Regents (TBR) system had the largest share of scholarship recipients, with 59 percent of the overall total (38 percent of recipients attended a TBR university and 21 percent attended an institution in the community college sector). Students attending the University of Tennessee (UT) campuses represent slightly more than a quarter (26 percent) of all awards. More than 4,500 recipients (or 16 percent of the total HOPE-based awards) are students attending member institutions of the Tennessee Independent Colleges and Universities Association (TICUA).

Of those students receiving lottery scholarships, approximately three-fourths of all recipients attended four-year institutions (either public or private). While the majority of recipients are in the university sector, this does not imply that the HOPE program has predicated enrollment declines among the community colleges. In fact, the converse is evident; enrollment rates for recent high school graduates in the community college sector have increased steadily since the advent of the program.⁶

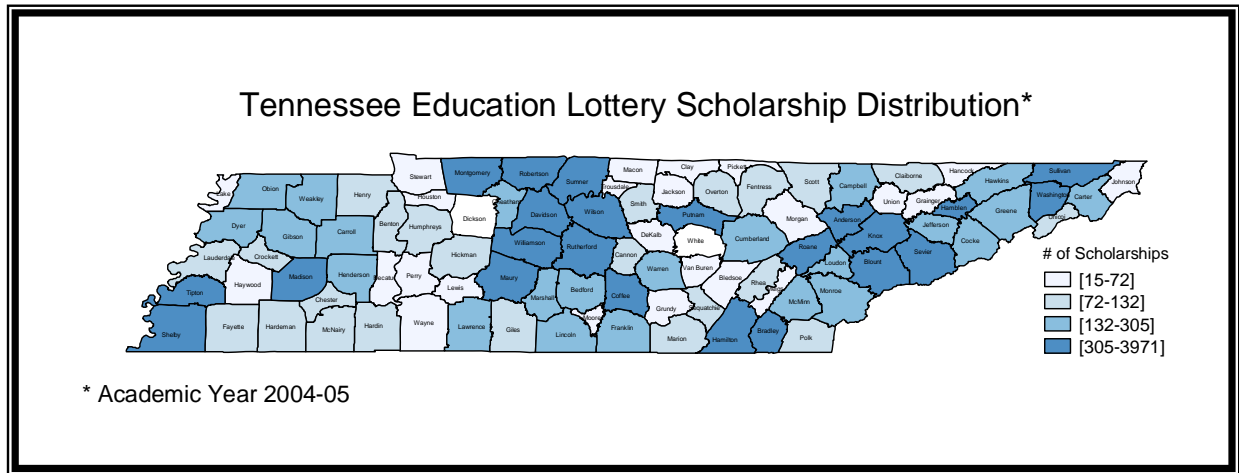


RECIPIENTS BY COUNTY

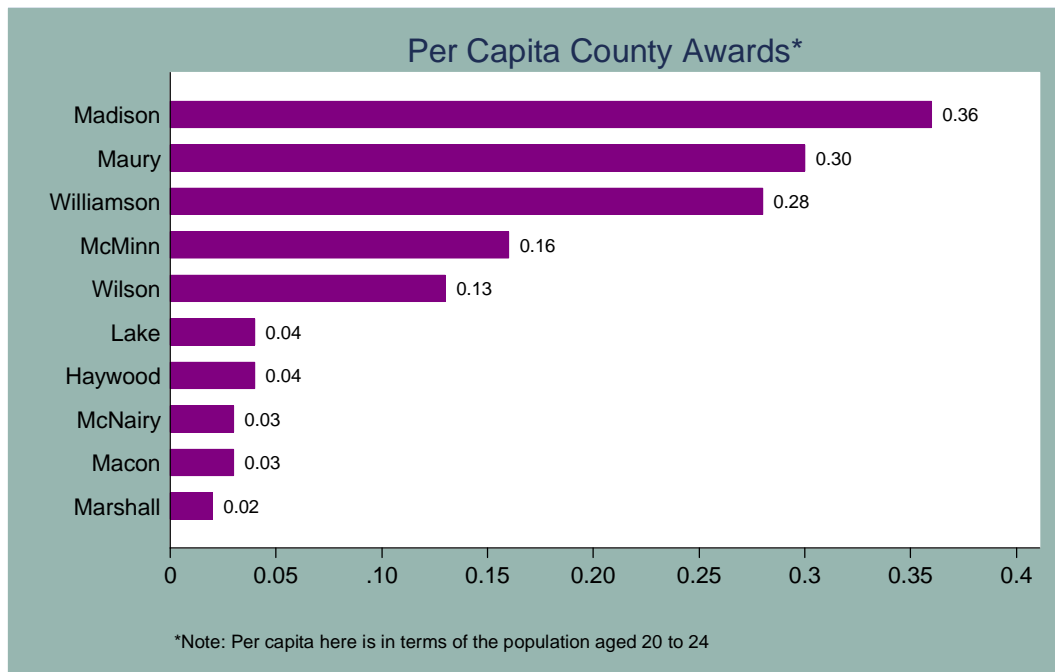
An examination of scholarship awards by county indicates that the distribution of awards is unsurprisingly correlated with overall population levels. Consequently, Shelby County, the state's most populous county, has 3,971 recipients, which is over 60 percent greater than Knox County (2,491) which ranks second with respect to the overall number of county awards. Rounding out the top five counties with the greatest number of recipients is Davidson (2,146), Hamilton (1,700), and Williamson (1,444). Almost 40 percent of the total scholarship awards are from the five most populous counties. On the other end of the enrollment spectrum, there are approximately 40 counties state-wide with fewer than 100 scholarship recipients; however, it should be noted that every county in Tennessee is represented, with no county having fewer than 15 recipients. The average number of recipients per county is 320 and the median number of awards per county is 132. As expected, the most rural counties (based on population) - Van Buren, Pickett, Moore, and Hancock - have the fewest total recipients (each with 15-19 recipients).

⁶ Please visit the Commission website (www.state.tn.us/thec) for a comprehensive and longitudinal data-based overview of enrollment by sector.

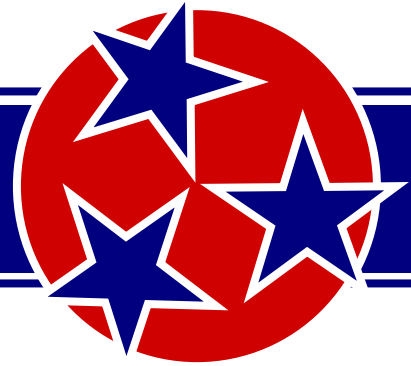
The following map details the overall distribution of awards state-wide (the darker the shade of blue, the greater the raw number of scholarship recipients). While the largest raw numbers of scholarship recipients are from the state's urban areas, the distribution of awards is representative of Tennessee's historic three grand divisions.



In order to control for population, a more accurate depiction of the impact of the program on college going rates at the county level is provided by examining the ratio of recipients per total college age residents. The following chart provides an overview of per capita participation rates and details the upper and lower bounds of the distribution.



Direct Impact of Merit-Aid in Tennessee: College Access and the 'Best and Brightest'

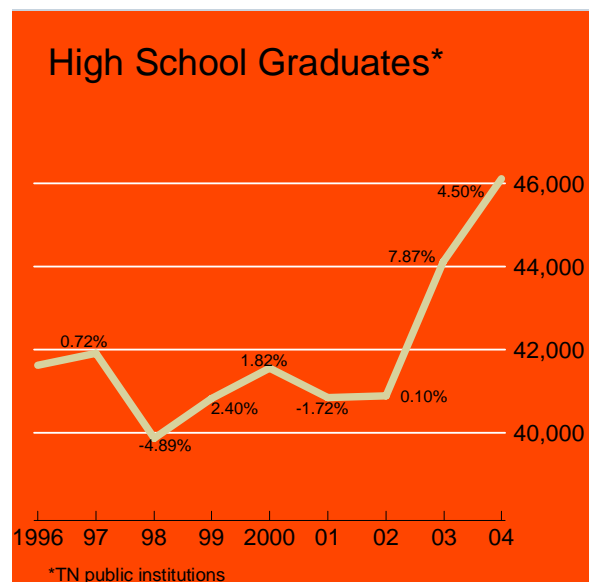
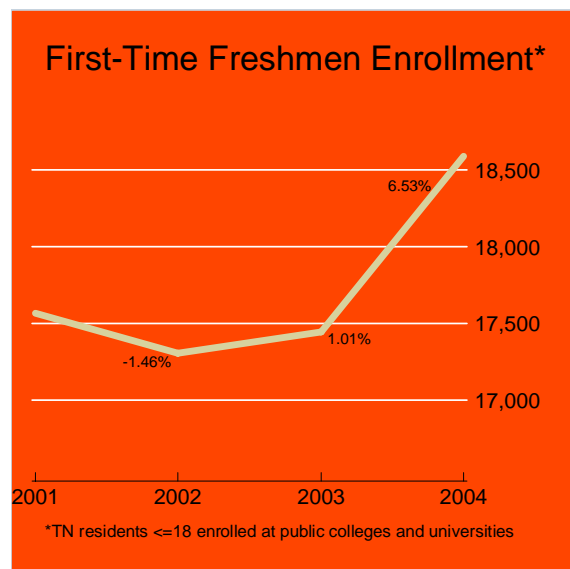


COLLEGE ACCESS

One of the primary overarching goals of the Tennessee Education Lottery Scholarship program is to promote and expand college access for Tennesseans, especially recent high school graduates. Given that less than 22 percent of Tennesseans aged 24 and older hold a college degree, this access goal presents a long term investment in the state's educational capital.

In order to ascertain the impact of the HOPE program on college access, one must first examine college participation rates longitudinally, with special attention paid to the immediate changes that occurred between 2003 and 2004 (pre and post HOPE). As indicated in the figure above, the 2004-05 academic year was marked by a significant increase in both the size and scope of the first-time freshmen class,⁷ with 18,585 students enrolling in the public sector institutions alone. Placing this class of students in a broader context, their numbers represent the largest first-time freshmen enrollment to-date in the history of Tennessee public higher education. Furthermore, this enrollment represents a 6.5 percent increase (1,139 additional students) in first-time freshmen over the fall 2003 freshman class.

This increase in first-time freshmen suggests that the lottery scholarships may have had a significant impact on enrollment, thereby



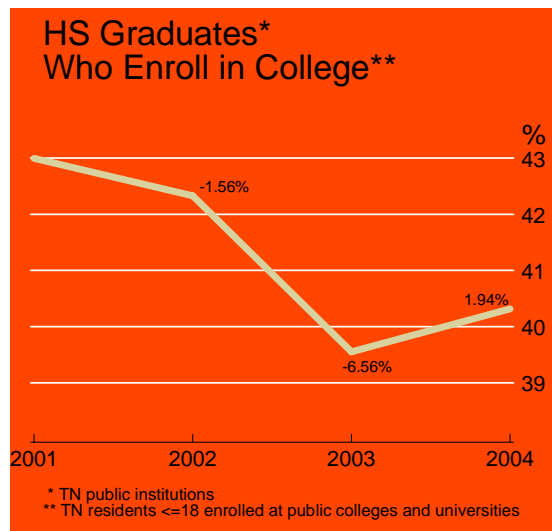
⁷ Here we only consider Tennessee residents who are 18 years of age or younger and enrolled at any Tennessee public college and/or university.

achieving the goal of expanding access. One possible confounding factor, however, is that this growth may be directly associated with a corresponding expansion in the overall population of students graduating from high school in Tennessee. Using data provided by the Tennessee Department of Education (TDE), the figure on the preceding page demonstrates that there were 46,096 public high school graduates in academic year 2003-04, which represented a 4.5 percent increase over the 2002-03 academic year (44,111 graduates).

Consequently, using the number of first-time freshmen as the numerator and the TDE number of high school graduates as the denominator, one will see (looking at the figure to the right) that controlling for population growth, there was 1.94 percent increase in the number of Tennessee high school graduates who enrolled in college for the 2004-05 academic year.

While a 1.94 percent increase in first-time freshmen enrollment is certainly not as remarkable as the 6.5 percent increase evidenced in the overall data, the impact of the HOPE program remains noteworthy.

When one considers that in-state high school to college transition rates prior to the advance of the lottery were associated with a downward trend (-6.6 percent in 2003 and -1.5 percent in 2002), it would appear as if the HOPE program has precipitated an expansion of college access opportunities as evidenced by the increase in the number of Tennesseans enrolling in college in Fall 2004.⁸



BEST AND BRIGHTEST STUDENTS – “BRAIN DRAIN”

In addition to expanding college access, another overarching goal of the Tennessee HOPE program is to retain more of the state’s best and brightest students, thereby stanching the problem of “brain drain.” In order to support this goal, the General Assembly Merit Scholarship (GAMS) targets Tennessee’s ‘best and brightest’ students with expanded scholarship awards, thereby encouraging these students to attend college in Tennessee.⁹ The GAMS award links Tennessee with Florida and South Carolina as the only three states to offer tiered scholarships that reward high achieving students for their academic performance in high school with enhanced scholarship awards.

One possible metric for gauging the impact of the GAMS initiative is to examine the college choice patterns of award recipients. While more than three-fourths of the eligible Tennessee post-secondary institutions have GAMS recipients enrolled on their campuses, many of these “best and brightest” students appear to be concentrated in a select range of institutions. For

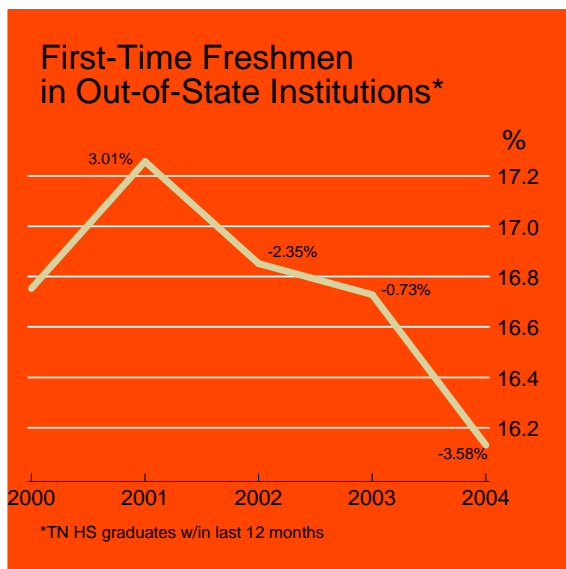
⁸ It should be noted, however, that these data on participation rates represent only one cohort of students. The issue of college access will be explored in depth across future editions of this report.

⁹ To qualify for the GAMS award, entering freshmen must have a minimum high school GPA of 3.75 and a 29 on the ACT (or 1280 on the SAT).

example, when considering the volume of GAMS recipients at the University of Tennessee, Knoxville in relation to overall HOPE scholarship enrollment, roughly 14 percent of all recipients also received the bookend award for exceptional academic merit. Additionally, three independent institutions with national prominence for academic excellence also enrolled a considerable portion of GAMS recipients. At Vanderbilt University, 47 percent of HOPE recipients also received the GAMS; for Rhodes College, the penetration rate was 32 percent; and, at the University of the South, 27 percent of the total HOPE population were also GAMS recipients. In fact, these aforementioned institutions accounted for nearly half of all GAMS recipients.

Another possible metric for gauging the impact of the GAMS award at staunching “brain drain” is to examine whether fewer students attended out-of-state institutions in the academic year associated with the advent of the program. Through the use of national data provided by the Integrated Postsecondary Education Data System (IPEDS), one can observe the college participation and attendance patterns of recent high school graduates (public and/or private). Specifically, this analysis examined the rate in which Tennessee high school graduates, those

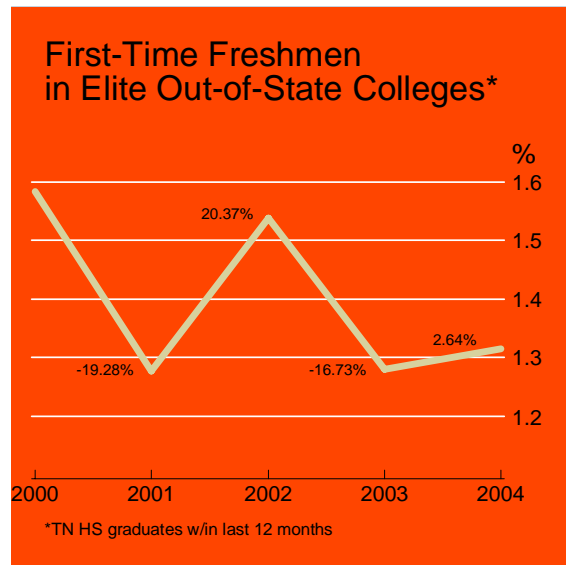
who graduated within the past twelve months, enrolled as first-time freshmen in colleges outside the state of Tennessee.



education) attended out-of-state institutions; after the implementation of HOPE, this rate declined to less than 16.2 percent

When examining out-of-state migration in the context of assessing “brain drain” within the parameter of goals of the Tennessee HOPE program, it may be more fruitful to examine enrollment trends at elite out-of-state higher education institutions. Under the assumption that “elite” students attend “elite” institutions, we utilized data contained in the *2006 US News and World Report's Best Colleges and Universities* to define the population of such

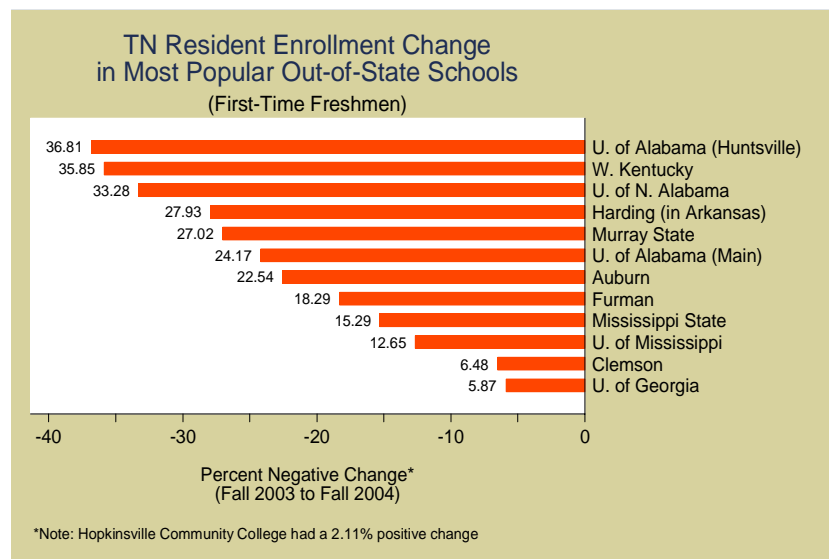
As detailed in the chart to the left, the analysis of IPEDS data indicates that the Tennessee HOPE program appears to have curtailed “brain drain” in its inaugural year. Between academic years 2003-04 and 2004-05, there was a 3.6 percent decline in the number of recent Tennessee high school graduates who migrated to institutions outside the state. Prior to HOPE, almost 16.8 percent of recent high school graduates (who pursued post-secondary



institutions and matched this against IPEDS data to ascertain student migration patterns. For the purposes of such an analysis, an elite institution is defined as holding a top 50 ranking in the category of “National Universities” or a top 25 ranking in the “Liberal Arts Colleges” category. Looking at the figure on the previous page, one will see that there was approximately a three percent increase (for fall 2004) in the percentage of Tennessee high school graduates who migrated to elite out-of-state colleges and universities.¹⁰ Thus, despite the opportunity for many of Tennessee’s “best and brightest” to reduce their personal financial burdens, the financial incentive of the HOPE Scholarship does not appear to be strong enough to prevent them from leaving the state.¹¹ While, as the figure shows, only approximately one to one-and-a-half percent of Tennessee high school graduates annually enroll in such institutions, it is important to recognize (and not shown in the figure) that such students comprise almost ten percent of all migrating Tennesseans (and are a key target of the GAMS initiative).¹²

There is an array of obvious reasons for trying to retain the most highly motivated and/or achieving individuals in the state both during and after college enrollment. A state’s economy, culture, and overall sense of community development can be dramatically impacted by a departure of highly educated adults who serve as a potential workforce and tax base. Thus, it is important to assess whether the type of student who has traditionally attended college in neighboring states may be responsive to scholarship incentives to remain in-state.

Through the use of IPEDS data, we examined the enrollment profile of out-of-state institutions that have traditionally enrolled large numbers of Tennesseans as first-time freshmen. Of those institutions that have historically enrolled the largest number of Tennesseans, 12 of the 13 experienced declines in the percentage of Tennesseans that comprise their respective first-time



¹⁰ There are several factors that may be driving this outcome, and this will be a matter of future research and exploration.

¹¹ For a review of the efficacy of such initiatives, see Carnegie Mellon Center for Economic Development (2001). *Plugging the Drain Brain: A Review of Studies and Issues for Attracting and Retaining Talent*. Pittsburgh, PA: Carnegie Mellon University.

¹² For example, of the approximately 6,300 high school students who attended colleges out-of-state during the fall 2004 semester, more than 600 attended one of the US News elite colleges and/or universities (this is more than three times the number of first-time freshmen lottery recipients who enrolled in Vanderbilt).

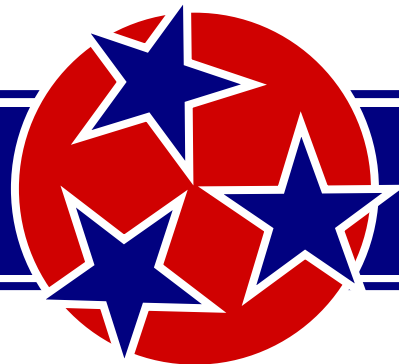
freshmen cohorts for academic year 2004-05.¹³ These effects are particularly intriguing when one examines the annual percentage change in the number of Tennesseans enrolled as first-time freshman in these most popular neighboring out-of-state institutions. In fact, in the first year of the lottery scholarship program, 10 of the 13 most popular out-of-state options for Tennesseans experienced double digit declining changes. These results are detailed in the above chart.

The University of Alabama at Huntsville, Western Kentucky University, and the University of North Alabama experienced net decreases in excess of thirty percent in the respective school's percentage of Tennesseans enrolled as first-time freshmen. Auburn University, the University of Alabama at Tuscaloosa, Murray State, and Harding University all underwent changes between 23 and 28 percent. Even Clemson and the University of Georgia, which experienced the smallest percentage changes, still had a change of roughly 6 percent.

These data provide preliminary evidence that the Tennessee HOPE program may be enticing more students to remain in-state to pursue their post-secondary opportunities. While these shifts in college participation rates are noteworthy, they must be interpreted with caution for they represent enrollment for one year post-implementation. Commission staff will continue to track participation rates and will provide trend data in future editions of this report.

¹³ Hopkinsville Community College experienced a minimal increase in its enrollment of Tennesseans. It should be noted, however, that roughly 29% of HCC's first-time freshmen cohort consists of Tennesseans.

Unintended Negative Consequences of Merit-Aid



OVERVIEW

In 1993, a new type of financial aid emerged when the state of Georgia enacted the HOPE Scholarship program, a merit-based financial aid program that covered college costs equivalent to public college tuition for all students who graduated high school with a 'B' average and who continued to maintain a 'B' average in college. Since its advent, 14 states have enacted similar programs, including the recent adoption of the John and Abigail Adams Scholarship program in Massachusetts.¹⁴ These programs vary greatly by state with regard to both revenue source and initial eligibility criteria. Since the enactment of Georgia's HOPE program, funded solely by dedicated lottery revenues, three other states have created state lotteries with revenues dedicated to funding similar merit-based scholarship programs and two additional states have redirected revenues from existing state lotteries to fund merit-based college scholarship programs. Revenue sources in other states include: tobacco lawsuit settlements, state general funds, land leases and sales, and video gambling revenues. While the eligibility criteria of each program differ by GPA and standardized test score threshold, all of these programs are linked by their foundational tie to Georgia's HOPE program in that scholarship awards are based on academic merit rather than financial need.

Interestingly, just as voters and elected officials have come to laud merit-based financial aid programs, there is an emerging scholarly consensus of their deleterious effects. One common theme in the growing academic literature on merit-aid and college access is that gaps by income and ethnic/racial strata persist, and indeed they may be increasing. Critics specifically highlight the disproportionate effect that merit-aid programs have on low-income and minority students and question the use of limited public resources in an inequitable manner. A focal point in the need versus merit-aid debate is the idea that groups of students that tend to have the greatest financial needs – minorities and low income students – are the ones who are disproportionately disadvantaged by the merit-based scholarship eligibility criteria. Paradoxically, then, the group of students denied access to college scholarships (and those who have the greatest propensity not to retain them, even if received) are those for whom the financial aid is most needed.¹⁵

MERIT-AID AND TENNESSEE

In June 2003, Tennessee signed into law a lottery-funded scholarship program and thus became the thirteenth state to offer broad-based merit scholarships. One of the aims of the Tennessee HOPE program is to provide access to post-secondary education for thousands of lower income and minority, first-generation college students. The academic research,

¹⁴ Beginning with the high school class of 2005 in Massachusetts, Adams Scholarships will be awarded to students based on their performance on the Massachusetts Comprehensive Assessment System (MCAS).

¹⁵ The most comprehensive critiques of merit-aid are found in two reports sponsored by the Civil Rights Project at Harvard University (and edited by D.E. Heller and P. Marin): *Who Should We Help? The Negative Social Consequences of Merit Scholarships* (2002); and *State Merit Scholarships and Racial Inequality* (2004).

however, suggests that it will be the students from groups who have historically had the highest college participation rates (middle and upper income families, as well as Caucasian students) who will receive an overwhelming share of the scholarship awards. The Tennessee merit-aid program, unlike those which have been enacted in other states, is much broader in both scope and policy intent. In fact, two characteristics of the Tennessee program suggest that the disproportionate effects of under-represented students may be mitigated: (1) a larger scholarship amount awarded to low-income students; and (2) broad-based eligibility criteria.

Of particular importance are the need-based elements that have been incorporated into the state's merit-aid program. Tennessee is the only broad based merit-aid program in the nation to provide larger scholarships to students with financial need. So, for example, the need-based supplemental award to Tennessee's base HOPE Scholarship (during academic year 2004-05) granted an additional \$1,000 (or a 33 percent increase over the base HOPE) to recipients from households with an annual adjusted gross income of \$36,000 or less. This brings the total scholarship award for qualified students to \$4,000 (which is roughly the equivalent of tuition and fees at Tennessee public universities). The need-based components of both the HOPE Scholarship and the HOPE Access Grant address the original broad policy intent of the Tennessee program to provide and expand access to post-secondary education.

Another unique feature of Tennessee's HOPE Scholarship program is its broad eligibility criteria. There is a large body of empirical evidence that suggests minorities and low-income students are more likely than Caucasians and those with higher-SES to perform poorly on standardized tests (i.e., ACT, SAT, GRE, etc.). Cognizant of this, Tennessee is the only state-wide merit-aid program to offer two separate academic paths to earn an award: standardized test-based *or* GPA-based. Moreover, Tennessee's standardized test eligibility criterion (for an award in 2004-05), an ACT score of 19, was the lowest among all states utilizing such assessments for award determination.¹⁶

Due to the flexible qualifying options, more widely attainable standardized test eligibility criteria, and increased award amounts for low-income students, it is anticipated that the widely reported disproportionate impact of merit-based aid programs will be diminished in Tennessee.

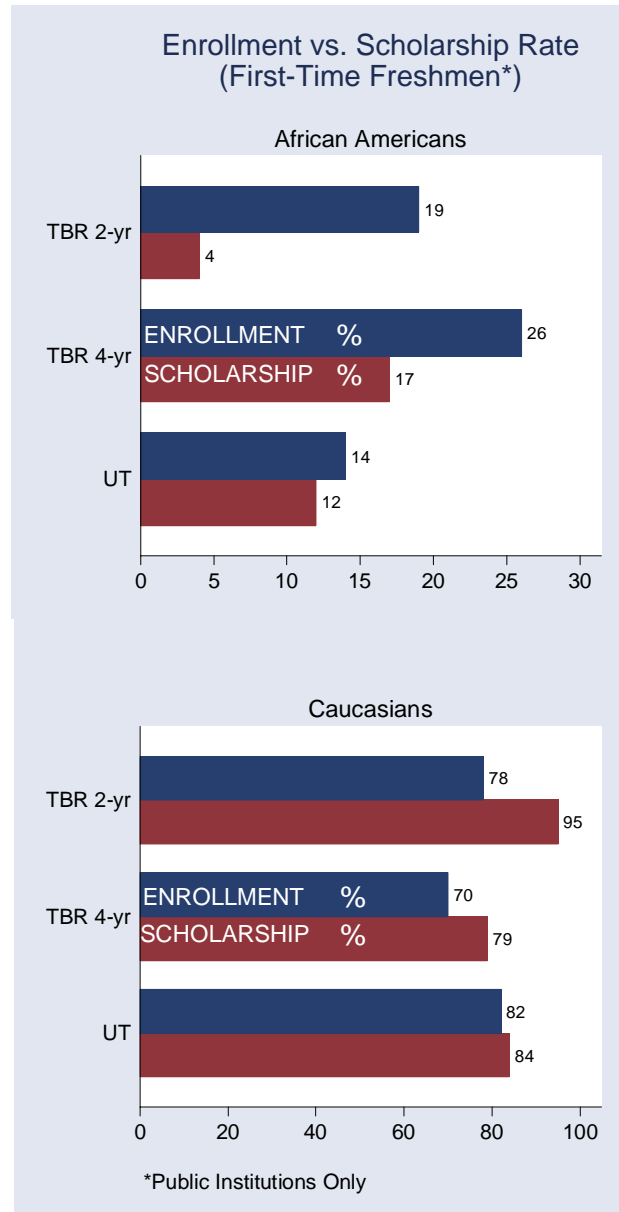
AN EMPIRICAL INVESTIGATION OF TENNESSEE HOPE SCHOLARSHIP ENROLLMENT AND ATTRITION BY RACE AND INCOME

Enrollment

An examination of participation in the Tennessee Education Lottery Scholarship program by demographic groups yields several interesting, but unsurprising (at least according to the academic literature) findings. The following chart details the distribution of enrolled first-time freshmen juxtaposed against the percentage of scholarship recipients; overall, if the effects of the scholarship program are proportional, the respective bars on the chart should be equal.

¹⁶ With the 19 ACT score requirement increasing to a 21 ACT score for the 2005-06 cohort, only two states (Florida and Louisiana) will have lower standardized test requirements (20 ACT score).

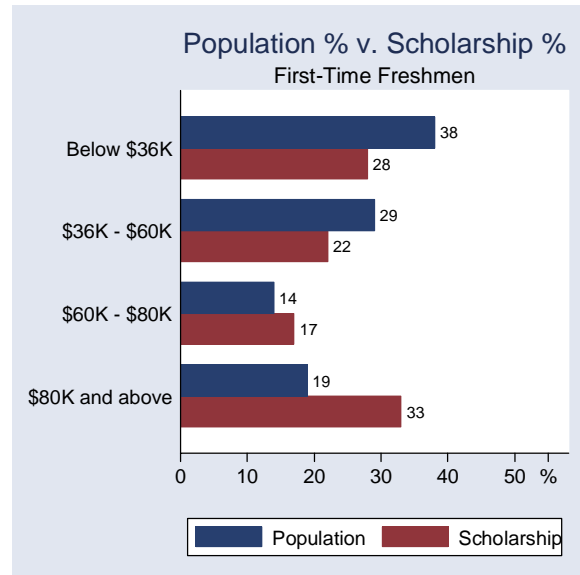
Looking at the upper-portion of the figure, one will notice that for African Americans each of the bars that represent the total percentage of scholarship recipients (maroon) is shorter than the total percentage of enrolled students bars (blue). The difference is most dramatic (almost five times different) when looking at the TBR two-year institutions. Looking specifically at the data contained therein, African Americans comprise 19.13 percent of all first-time freshmen at TBR two-year schools, but only account for 3.59 percent of all scholarship recipients. It is certainly possible that many students who would have traditionally entered two-year programs (as a result of the lottery scholarship program) may instead be enrolling in four-year institutions. Thus, this could serve as one explanation as to why the differences at the two-year colleges are much greater than the differences in the four-year schools. Since community colleges are a key access entry point, this is an area that will be explored further by Commission staff in future editions of this report.



Looking solely at the university sector, African Americans represent almost 26 percent of all first-time freshmen at TBR four-year institutions but comprise only 17.11 percent of scholarship recipients at these institutions. For the University of Tennessee system, African Americans account for 13.87 percent of all the first-time freshmen and interestingly are 12.08 percent of its first-time freshmen scholarship class.¹⁷ In contrast, and looking at the bottom portion of the figure, each of the bars (maroon) that represent the total percentage of Caucasian scholarship recipients is longer than the bar (blue) that represents the total percentage of Caucasian enrolled students (public institutions only). Consequently, across all institutional sectors, the Tennessee HOPE program does not appear to have the inclusive characteristics that were hypothesized by the dual venues of access.

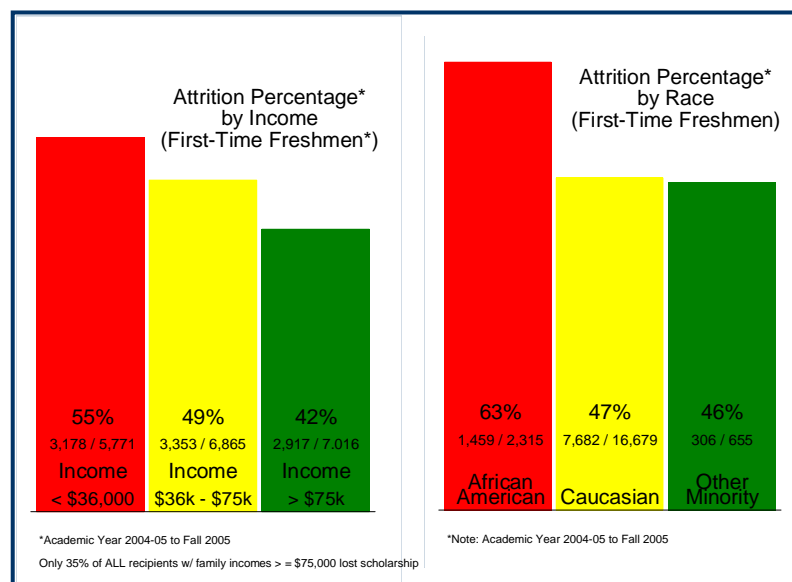
¹⁷ While the disproportionate effects are less pronounced in the UT system, it should be noted that almost all of the admitted students at UT Knoxville are scholarship recipients.

Using data supplied by ACT, one can also examine whether the distribution of scholarship awards is representative of the distribution of income in the population (that is, the population of all ACT test-takers in Tennessee). When looking at the effects of income, one will see that for those ACT test-takers from households with incomes less than \$60,000, the percentage of HOPE scholarship recipients is smaller than the percentage of households (in the population) in this income class. More specifically, the two bars that represent the percentage of scholarship recipients (maroon) is shorter than the bar (blue) that represents the percentage of ACT test-takers in these income categories. The difference is especially noticeable when looking at the “below \$36,000” category. It is also important to look at the effects in the upper income brackets. In both upper income categories (\$60,000 – \$80,000 and \$80,000 and above), one will notice that the scholarship recipient percentage outstrips the overall population. This indicates that ACT test-takers from high income households receive a larger percentage of the HOPE awards than would be expected if the effects were truly proportional. For example, 19 percent of all ACT test-takers in Tennessee are from families with household incomes of \$80,000 or above. Yet, 33 percent of all first-time freshmen HOPE recipients come from households in this income class.



Scholarship Attrition

Similar trends are evidenced across both racial and income groups when one examines the issue of scholarship attrition. Looking first at the income bars (left side of two figures to the right), we see that as household income decreases, the percentage of students who failed to retain their scholarships increases. This analysis focuses solely upon first-time freshmen and examines whether a student who was a HOPE recipient



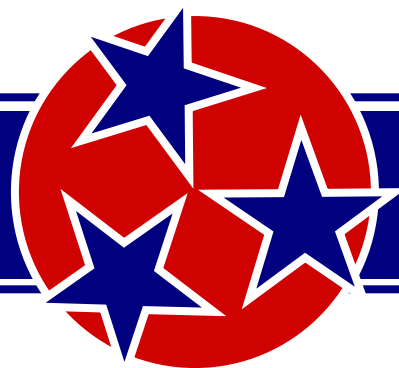
during the 2004-05 academic year continues to be a scholarship recipient in the fall of 2005. In total, there were 5,771 recipients from households with incomes less than or equal to \$36,000; of this group of students, 3,178 failed to retain their award. This contrasts sharply

when one examines the more than 7,000 recipients from households with incomes greater than or equal to \$75,000, of which only 42 percent (2,917) failed to retain their award.

Examining scholarship attrition by racial demographics, data indicate that 47 percent of Caucasian students failed to retain their lottery scholarships as sophomores, compared to a 63 percent scholarship attrition rate for African American students. Specifically, of the 16,679 Caucasian students who were awarded Tennessee HOPE scholarships as freshmen, 7,682 (47 percent) failed to retain their awards for the following academic year. Correspondingly, of the 2,315 African American scholarship recipients, 1,459 (63 percent) failed to retain their awards. Given the policy significance of scholarship attrition and the variable factors that influence student departure, Commission staff will continue to explore and research this issue in future iterations of this report.¹⁸

¹⁸ It should be noted that at this point, data only allow the determination of whether a student received an award during academic year 2004-05 and subsequently did not receive an award in the fall of 2005. In subsequent editions of this report, the General Assembly will be provided with a detailed examination that allows one to distinguish (for example) students who retained eligibility criteria but dropped out or transferred; did not meet eligibility criteria but remained enrolled; did not retain eligibility criteria and dropped out or transferred; etc. The analyses contained herein are restricted to first-time freshmen, but subsequent editions will examine this issue across all student levels. Moreover, a comprehensive examination of retention and persistence (including demographics) will be subsequently provided as well.

Indirect Impact of Merit-Aid in Tennessee: Preparation & Persistence



One of the most significant lines of analysis for any scholarship program is the impact that these incentives have on student retention and persistence to graduation. As was discussed in detail in a prior section of this report, Tennessee's criteria for the 2004-05 academic year were among the most liberal nationally with respect to the standardized testing requirements.¹⁹ Moreover, Tennessee offers its residents an opportunity to obtain a merit-based scholarship without meeting a minimum standardized test criteria. That is, a student can qualify on the basis of their high school grade point average alone. Furthermore, Tennessee is among the outliers of states with broad-based merit aid programs in that it does not prescribe students to complete the college core curricula as an eligibility requirement. Consequently, Tennessee has entered into uncharted territory when it comes to understanding the long-term implications of these broad eligibility policies on the retention and persistence of scholarship recipients.

STUDENT PREPARATION

One implication of Tennessee's broad based eligibility criteria and the lack of a college core requirement is that many scholarship recipients need to supplement their college curriculum with remedial and/or developmental coursework. Interestingly, 17 percent of the total number of scholarship recipients needed some form of remedial and/or developmental coursework. However, given that many, if not all, of the independent colleges and universities do not offer such instructional opportunities, one could posit that the recipients from these institutions should be excluded from any such calculation. Focusing only on those students who enrolled in public colleges and universities, data indicate that approximately 29 percent of scholarship recipients required some form of remedial and/or developmental instruction during their freshman year. Of those students who required remedial and/or developmental instruction, only 37 percent (1,766 of the 4,747 recipients) retained their scholarship into the subsequent academic year.

System	Total # of FTF Recipients	# of FTF (With R&D)	% of Total (With R&D)	% Total (No R&D)	% Return (With R&D)	% Return (No R&D)
UT	5,272	633	12%	88%	35%	59%
TBR 4 year	7,199	2,112	29%	71%	36%	55%
TBR CC	3,985	2,002	50%	50%	39%	47%
Total	16,456	4,747	29%	71%	37%	55%

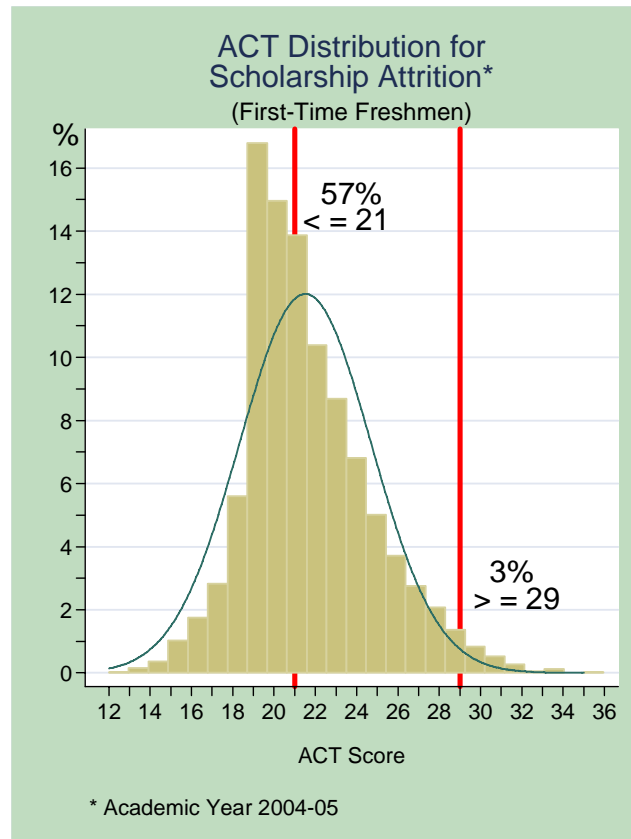
It is also interesting to note that disparities in college preparation exist across income groups. For example, approximately 40 percent of first-time freshmen scholarship recipients from

¹⁹ Eligibility requirements for the academic year 2004-05 were a 3.0 un-weighted high school GPA or a 19 composite score on the ACT examination. For 2005-06 and each subsequent academic year, statutory adjustments necessitate a 21 ACT composite score (or 3.0 high school GPA) for initial eligibility.

households with incomes below \$36,000 required some form of remediation, compared to less than 24 percent for students from households with incomes of \$75,000 and greater. Given the significant policy importance of these data, the retention and persistence of such students will be monitored closely in future iterations of this report.

ACT DISTRIBUTION

Given the large proportion of scholarship recipients who are in need of remedial and/or developmental coursework, it is important to see if there is any relationship between performance on standardized tests (such as the ACT) and scholarship attrition. The histogram figure to the right depicts the distribution of first-time freshmen students who failed to retain their lottery scholarships in the context of ACT scores. Each beige bar represents the actual percentage of scholarship attrition for a particular ACT score. The figure shows that 57 percent (the sum of all the beige histogram bars to the left of the left-most vertical red line) of the first-time freshmen recipients who failed to retain their scholarship scored “21” or below on the ACT.²⁰ This contrasts sharply with the scholarship retention rate for those who scored “29” or above on the ACT. In fact, only 3

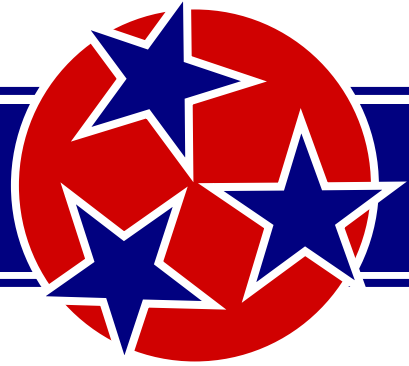


percent (the sum of all the beige histogram bars to the right of the right-most vertical red line) of all students who failed to retain their award scored “29” or above.²¹ As a point of reference, the histogram has been overlaid by a bell-shaped curve to illustrate the expected distribution of a normal population. If the distribution of scholarship attrition was normal (i.e., bell-shaped), we would expect approximately 45 percent of the attrition rate to be comprised of students with scores of “21” or below (that is, the sum of all the histogram bars below the overlaid curve). Similarly, we would expect slightly less than 3 percent of the attrition rate to be comprised of students with scores greater than or equal to “29.”

²⁰ Focusing specifically on individual subgroups (although not illustrated in the figure), of the first-time freshmen recipients who scored “21” or below, 62 percent (5,340/8,686) did not retain their scholarship. Of those first-time freshmen recipients who failed to retain their scholarships, approximately 12 percent are students who qualified on the basis of high school GPA alone. However, 59 percent of the individuals who qualified solely on the basis of HS GPA failed to retain their award.

²¹ Of the 1,572 first-time freshmen who scored “29” or above, 297 (19 percent) failed to retain the scholarship.

Unintended Positive Consequences of Merit-Aid



PUTTING MERIT-AID IN CONTEXT

The broad array of scholarship on merit-aid programs indicates that there is no axiomatic reason to dispute the abundance of empirical evidence regarding the negative social consequences of such financial aid programs. The array of negative social consequences identified by the merit-aid research community should not be taken lightly; nevertheless, the “targeted” merit-aid approach invoked in Tennessee offers numerous opportunities for those students who are traditionally under-represented in higher education.

As detailed in the previous section, the disproportionate award rates observed in Tennessee are fairly similar to the experiences of other broad based merit-aid programs. And, at first glance, it would appear that the Tennessee program’s unique aspects have not served as a vehicle to mitigate the inequities reported in the scholarly literature. However, scholars have overlooked that merit-based scholarships represent a substantial increase in funds available to students who desperately need financial aid. Merit-based aid scholarships possibly account (on a state-wide basis) for the largest increase in gross financial aid for those students who have been typically unable to afford college. For example, looking at the following table, of the approximate \$86 million awarded through the Tennessee Education Lottery Scholarship program during the 2004-05 academic year, approximately \$26 million (30 percent) was awarded to those students from households with family income less than \$36,000. This figure (\$26 million) is almost 60 percent of the total need-based aid currently awarded on an annual basis through Tennessee’s Student Assistance Award (the State’s official need-based financial aid program).

Proportion of Merit-aid Awarded on the Basis of Need*

Award Type	Total
HOPE (base)	\$52,940,188
Merit Supplement (GAM)	\$7,644,169
Need Supplement 1 (ASPIRE)	\$26,015,600
Need Supplement 2 (ACCESS)	\$150,935
<i>Total Need Supplement</i>	<i><u>\$26,166,535</u></i>
Total	\$86,750,892
% Need Supplement	30.16%

*Academic Year 2004-05

One caveat of note is that for 2004-05, merit-based scholarships were only available to freshmen and sophomores from the high school classes of 2003 and 2004. The table below examines the potential impact of the merit-aid program on those with financial aid when extrapolating out towards what a fully implemented program could look like. It is projected that a mature program will award \$240 million per year in HOPE awards. Based on the data characterizing the inception of the program, we would expect approximately \$72 million to be awarded to those from households with incomes of less than \$36,000. Placing this number in the context of existing student aid programs, this translates to 50 percent more financial aid for low income students than is available from the entire TSAA program.

Proportion of Merit-aid Projected on the Basis of Need*

Award Type	Total
HOPE (base)	\$146,461,264
Merit Supplement (GAM)	\$21,147,916
Need Supplement 1 (ASPIRE)	\$71,973,256
Need Supplement 2 (ACCESS)	\$417,568
<i>Total Need Supplement</i>	<i><u>\$72,390,824</u></i>
Total	\$240,000,000
Academic Year 2004-05	
% Need Supplement	30.16%

*Projected award totals for a fully implemented program

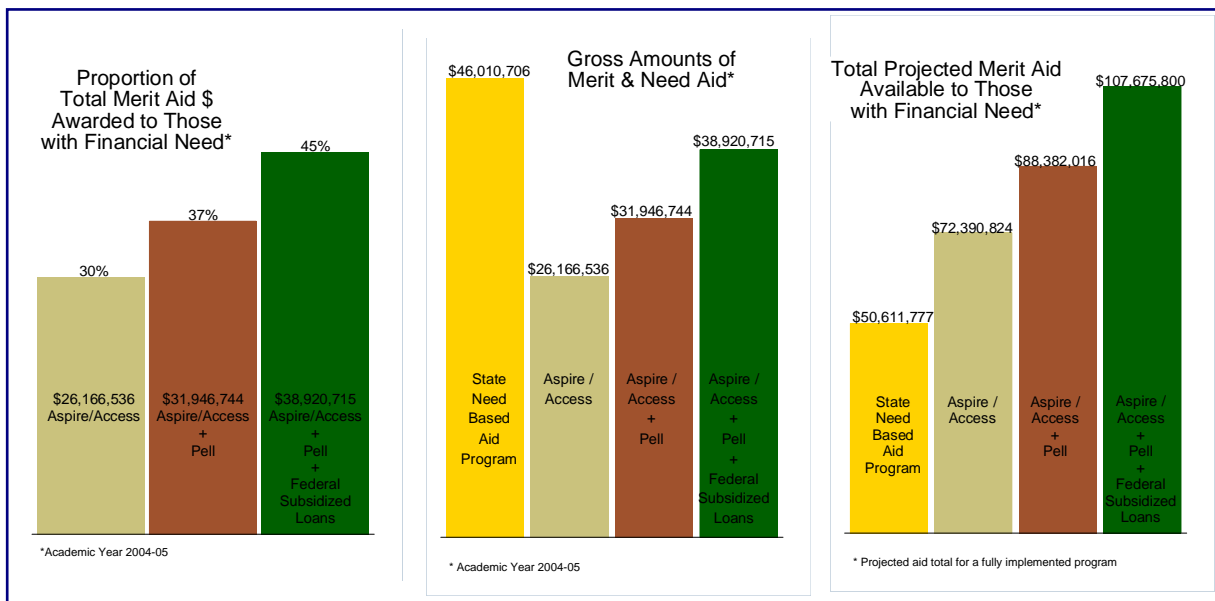
The realization that the Tennessee merit-aid program directs a high proportion of its aid to low income students is further accentuated when one closely examines the scholarship recipients who are eligible for federal means-tested awards (i.e., Pell grants and subsidized loans). More than 40 percent (12,564 of the 30,532 recipients) demonstrated some sort of financial need (i.e., household income is below \$36,000, eligible for Pell grant or subsidized loan, etc.).²² These recipients received \$38,920,715 (45 percent) of the \$86,750,892 paid to all scholarship awardees. This amount (\$38,920,715) represents approximately 85 percent of the total need based aid (\$46,010,706) that was awarded to Tennesseans who attended college within the state during the 2004-05 academic year.

Merit-aid Recipients with Financial Need

	Number of Recipients	Total Amount	Cumulative Total
Aspire/Access Recipients	7,825	\$26,166,536	\$26,166,536
Pell Recipients (non Aspire/Access)	2,247	\$5,780,208	\$31,946,744
Subsidized Loans Recipients (neither Aspire/Access nor Pell eligible)	2,492	\$6,973,971	\$38,920,715

²² The 12,564 recipients is the sum of 7,825 Aspire/Access recipients; 2,247 Pell recipients (who did not receive Aspire or Access); and 2,492 subsidized loan recipients (neither Aspire/Access nor Pell eligible).

Looking at the left most figure on the following page (“Proportion of Total Merit \$ Awarded to Those with Financial Need”), one will see that 45 percent of all HOPE funds (vertical green bar) are awarded to students who either meet the ASPIRE/ACCESS eligibility criteria or some other federal need-based formula. Assuming this percentage holds constant (right-most figure below), one can project that a mature program (approximately \$240 million in awards) would provide over \$100 million dollars in financial aid (vertical green bar) to those who demonstrate some form of financial need.²³ This would more than double the amount granted (\$50 million) through the Tennessee Student Assistance Award program (gold vertical bar).



Lastly, it should be noted that the level of funding available through the state’s need-based aid program is quite tenuous since it relies upon continued revenues and support of the tax-paying citizens of Tennessee.²⁴ The state’s merit-aid program, in contrast, is merely dependent upon a statutorily protected percentage of the volume of state lottery sales (projected revenue for scholarship purposes is approximately \$240 million annually).

THE REQUIREMENT OF A COMPLETED FAFSA FOR ALL SCHOLARSHIP APPLICANTS

One of the primary goals of the lottery scholarship program is to provide access to college for qualified students who would otherwise be unable to afford to attend. Yet, despite the size of the program, lottery scholarships do not cover all college costs for Tennessee students. For many, the scholarship merely provides a first source of financial aid. That is, the scholarship serves as the floor of the student’s total financial aid package. Therefore, other forms of

²³ It is a bit difficult to assume a perfect linear progression since those that have the most financial need are also the most likely to fail to retain their scholarships. But, this should not weaken the overall logic of the substantive conclusion of this section.

²⁴ Approximately 10,000-15,000 need-eligible students are annually denied TSAA awards because of insufficient funds in the program.

financial aid from institutional, state, and federal sources will also be necessary to assist in financing the total cost of attendance.²⁵

Currently, the Free Application for Federal Student Aid (FAFSA) is designated as the sole application form for lottery scholarships, and this requirement is viewed in the policy community as a positive by-product of the Tennessee Education Lottery Scholarship Program. The FAFSA also serves as the standard application required for a variety of additional financial aid awards: Federal Grants (i.e., Pell), Federal Loans (i.e., Stafford, Perkins, etc.), state need-based aid (i.e., TSAA), institutional aid (merit and need), and college work study. These additional sources of federal, state, and institutional aid hold the key to addressing many of the challenges of access for minorities and low income students (and illustrated in the previous section). These sources of need-based aid are necessary steps toward equalizing post-secondary opportunities for qualified high school graduates.

While Pell Grants and other sources of federal financial aid have been available for decades, they are less well known among Tennessee high school students and families. The Tennessee Education Lottery Scholarship program has been a widely publicized policy initiative within the state. By requiring students who apply for a lottery scholarship to complete the FAFSA, the state is opening a window of opportunity for millions of dollars in additional financial aid resources. Research has shown that the students least likely to complete the FAFSA are those who have the greatest need for financial aid. A great deal of economic research also suggests that low income and minority groups often face higher transaction costs regarding their efforts to obtain aid for which they are legitimately eligible. Such transaction costs range from, the lack of information regarding the FAFSA program and its concomitant application to the difficulty of completing the requisite paperwork and language barriers.

In fact, a recent study by the ACE Center for Policy Analysis (*Missed Opportunities Revisited: New Information on Students Who Do Not Apply for Financial Aid*) indicates that almost 1.5 million students who might have qualified for a Pell Grant did not complete the FAFSA. Another key reason students do not complete the FAFSA (according to the ACE report) is that almost 30 percent of all students who do not file a FAFSA receive some form of financial assistance from a source that does not require this application. Their data suggest that many lower income students would certainly have benefited by submitting the FAFSA – even those who received other financial assistance (like a HOPE Scholarship).

The Tennessee Education Lottery Scholarship program is the most visible financial aid initiative in the state. By requiring each scholarship applicant to complete the FAFSA, the state is providing an unprecedented opportunity to secure numerous other federal, state, and institutional aid funds. And, many students, particularly low and middle income students, who would otherwise not complete the FAFSA, will now receive additional sources of financial aid for which they are eligible. That is, given the high profile of the lottery

²⁵ According to the *Access Denied* report prepared by the Advisory Committee on Student Financial Aid, the average unmet need for students from low income households is \$3,200 at public two-year institutions; \$3,800 at public four-year; and \$6,200 at private four-year schools. For students from middle income households, the average unmet need is \$1,650 at the public two-year; \$2,250 at the public four-year; and \$4,700 at the private four-year institutions.

scholarship program and its requirement of a completed FAFSA, many under-represented and underserved students will indirectly obtain benefits that will increase their likelihood of attending and completing college. And, as the ACE report concludes "... no student should miss the opportunity for vital assistance because he or she lacks necessary information, is misinformed about the nature of student aid programs, or is unable to navigate the financial aid application process." The FAFSA requirement is a major step in rectifying this problem.

It should also be noted that there are many Tennesseans who do not qualify for ASPIRE need-based supplemental award (i.e., income is greater than \$36,000), but who are eligible for, as an example, a Pell Grant. According to 2001-2002 Office of Postsecondary Education data, 7 percent of Pell recipients (300,000 of 4.3 million students) have family incomes greater than \$40,000. Despite having somewhat higher incomes, many households qualify based upon the number of college-aged children and other factors taken into consideration through the use of a national need analysis formula. The chart below provides national data (by award amounts and household income levels) on the number of students who receive Pell Grants.

Family Income	Award Amount					TOTAL
	\$1 - 899	\$900 - 1,499	\$1,500 - 2,099	\$2,100 - 2,999	\$3,000 - 3,750	
Less than \$6,001	42,063	95,770	159,018	94,413	430,213	821,477
\$6,001 - 9,000	30,979	56,170	76,351	79,021	183,143	425,664
\$9,001 - 15,000	120,059	121,212	139,213	96,320	308,396	785,200
\$15,001 - 20,000	45,336	71,035	96,601	73,901	272,960	559,833
\$20,001 - 30,000	112,709	135,682	163,801	192,837	323,313	928,342
\$30,001 - 40,000	135,214	119,375	99,408	106,119	59,026	519,142
\$40,001 - 50,000	93,756	55,240	37,984	28,296	7,752	223,028
\$50,001 - 60,000	32,182	16,970	8,758	4,234	1,359	63,503
\$60,001 and above	8,249	3,206	1,435	599	1,201	14,690
TOTAL	620,547	674,660	782,569	675,740	1,587,363	4,340,879

Source: 2001-2002 Title IV/Pell Grant Program End of Year Report, Office of Postsecondary Education

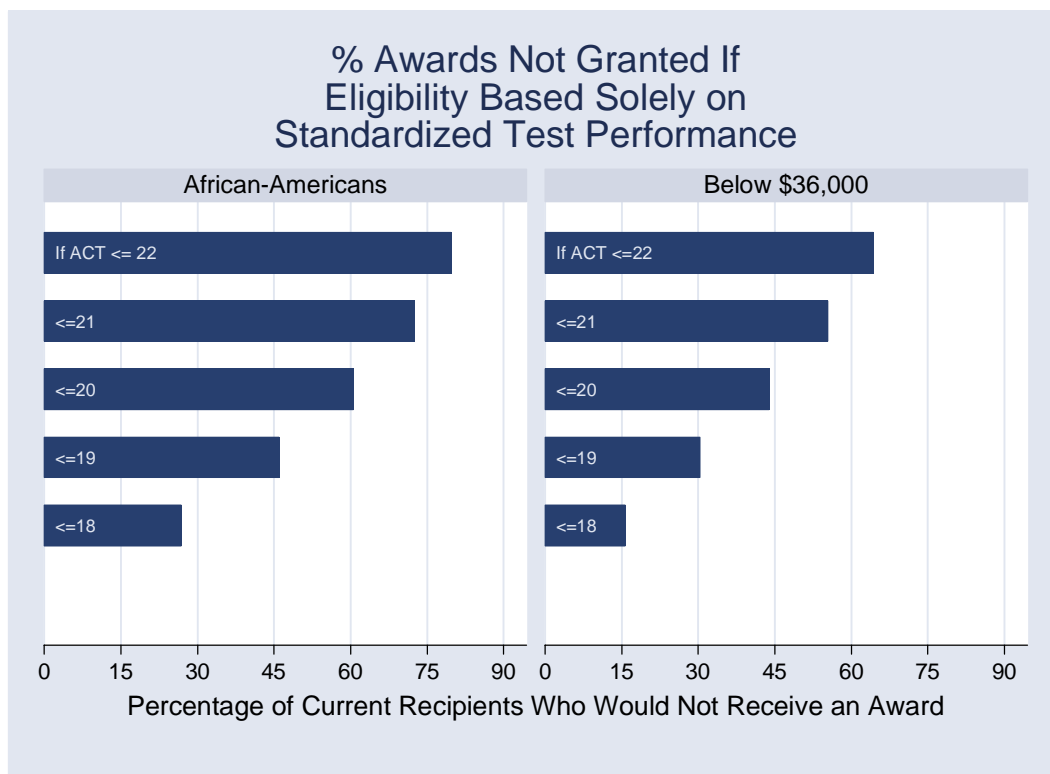
The Tennessee Education Lottery Scholarship, by the virtue of its broad visibility and requirement of a completed FAFSA, expands the opportunity for low and middle income students in the state to obtain a variety of sources of financial aid. Looking at federal Pell Data for Tennessee (pre and post Lottery Scholarship implementation) suggests a positive movement in this direction. In fact, during academic year 2004-05, 5,306 more students received a Pell Grant than during the previous year. This effect translated to an additional \$12,868,000 (an average of almost \$2,400 per student) in federal Pell awards for Tennesseans.

DUAL VENUES OF ACCESS

Tennessee is the only state-wide merit-aid program to offer two separate academic paths toward the receipt of an award: standardized test-based *or* GPA-based. This has enormous implications for traditionally underserved students (i.e., African-Americans and/or those from households with adjusted gross incomes below \$36,000). For first-time freshmen African Americans, for example, 73 percent of those that received a lottery scholarship would not

have received one if Tennessee had followed the path of sister programs and tied eligibility solely to performance of a “21” on the ACT. Almost every other state-wide merit-aid program requires an ACT score greater than or equal to “21” and a requirement merely of “22” would have resulted in a loss of 80 percent of the scholarships granted to African-Americans in Tennessee. Even a lowering of the eligibility requirement to a “20” or “19” would still prevent 60 and 46 percent (African-Americans), respectively, from receiving aid.

A similar situation occurs when we examine the consequences for low income households of scholarship eligibility based solely on standardized test performance. If the ACT requirement was “21,” only 45 percent (35 percent if the ACT requirement was “22”) of current first-time freshmen recipients from households earning \$36,000 or less would have received a scholarship had it not been for the opportunity to qualify on the basis of high school GPA rather than ACT. For example, of the 5,770 students from households with income below the state’s median level, 3,195 (3,711 for an ACT requirement of “22”) would have missed out on a HOPE Scholarship (and the ASPIRE supplement). Even if ACT eligibility were lowered to “19,” more than 30 percent of current recipients would be adversely affected (had there not been a dual venue for access).



PERCEPTIONS OF MERIT-AID ELIGIBILITY AND COLLEGE ACCESS

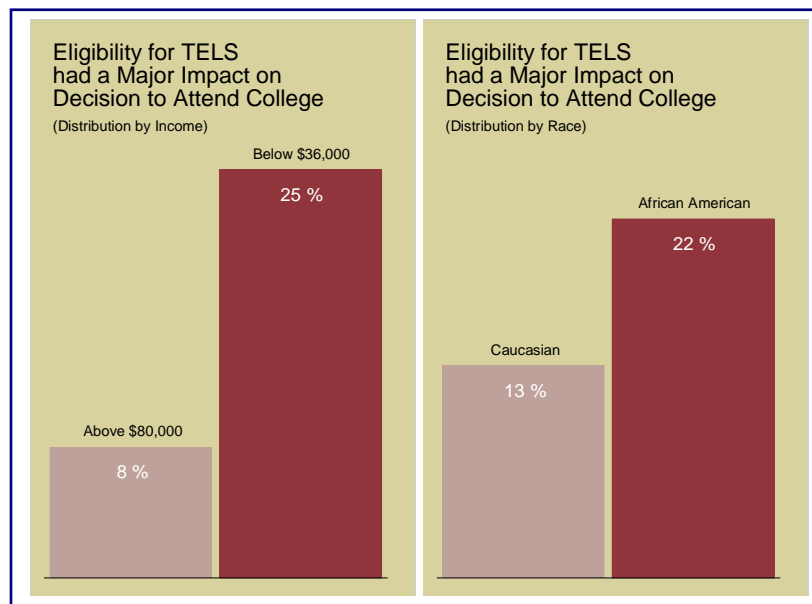
While the overall distribution of merit-based scholarship awards in Tennessee does tend to be skewed towards the groups of students that would attend college with or without the aid, THEC has conducted surveys of high school students which suggest that these awards are meaningful towards influencing the college choices of under-represented students.²⁶ The

²⁶ A full report based on the survey data will be available in April 2006 on the THEC website.

THEC surveys accentuate an important perceived difference that merit-based scholarship award could make for low-income and/or minority students (particularly African Americans) who have persisted to the end of their senior year of high school but still are unable to attend college (simply because they were ineligible for the award).

The analytic population of the survey consists of students who were Tennessee high school seniors during the 2004-05 academic year. Efforts were undertaken to ensure that students were sampled irrespective of their college plans and their merit-aid eligibility. Moreover, a stratified random sample was taken to ensure that the sample of high schools reflected the state population (demographically and numerically). The strata categories included enrollment size (i.e., small, medium, and large), region (east, middle, west), and sector (public or private). Surveys were mailed to participating schools in late-April in an effort to survey student respondents after they had finalized their college choice decisions and completed their merit-based financial aid applications. In all, forty-five institutions yielded a sub-population of approximately 3,500 students (from a representative sample of high schools).

Through the THEC survey data, one can directly examine whether Tennessee high school students perceive the state's merit-based aid program as having a major impact on their decision to attend college.²⁷



When considering the effect of income, one finds that the college decision process of those students from families earning less than \$36,000 year (Tennessee's median income and the need-based aid criteria income cap) is three times more likely than that of students from higher income households (income above \$80,000) to be perceived as being influenced by the receipt of merit-based aid. The data also indicate that the college decision process of African Americans is almost twice as likely as that of Caucasians to be perceived as being influenced by the receipt of merit-based aid. Thus, student perceptions of merit-aid eligibility suggest

²⁷ The two major impacts are: "I will attend college but could not without the lottery scholarship" and "I do not plan to attend college but would if I received a lottery scholarship."

that the Tennessee Education Lottery Scholarship program's aim to increase college access among underserved and disadvantaged groups is being met.

DISCUSSION

FINDINGS IN THE CONTEXT OF PROGRAM GOALS

The Tennessee Education Lottery Scholarship program was designed to meet the unique needs of the state by incorporating the hallmark elements of existing financial aid models in other states. To recall, the Tennessee HOPE program aims to address several broad public policy objectives:

- Improve academic achievement in high school through scholarship incentive;
- Provide financial assistance as a means of promoting access to higher education;
- Retain the state's 'best and brightest' students in Tennessee colleges and universities;
- Enhance and promote economic and community development through workforce training.

The Wilder-Naifeh Technical Skills Grant was designed to address the final goal noted above and is available to all students enrolled in certificate and other diploma programs at Tennessee Technology Centers (TTCs). While not discussed in detail in prior sections of this report, during the first year of the program, more than 8,500 Tennesseans took advantage of this opportunity. Certainly, this is a remarkable first-step to promote workforce development in the state. Nevertheless, more than 13,000 individuals are enrolled in TTCs state-wide and a larger effort needs to be placed into promoting the grant program so that: a) less individuals will incur unnecessary debt burdens and b) more individuals will pursue and acquire the requisite skills to enhance Tennessee's competitive edge in the knowledge-based economy.²⁸

To address the issue of bright flight, the General Assembly Merit award targets Tennessee's 'best and brightest' through the offering of expanded scholarship awards. One of the interesting observations from the initial year of the program is that despite the availability of the GAMS award, there was a three percent increase in the percentage of Tennessee high school graduates who migrated to elite out-of-state colleges and universities. Thus, despite the opportunity for many of Tennessee's 'best and brightest' to reduce their personal financial burdens, the financial incentive of the GAMS scholarship does not appear to be strong enough to prevent them from leaving the state to attend college.²⁹

²⁸ Please visit the THEC website (www.state.tn.us/thec) for a detailed overview of the Wilder-Naifeh program.

²⁹ It does appear, however, that those institutions that have historically enrolled the greatest percentage of Tennessee residents (of their incoming first-time freshmen class) experienced tremendous declines in the first year of the lottery scholarship program.

To address the first two policy objectives (with particular attention centered on lower income and minority students) the Tennessee HOPE program awards enhanced scholarships to students from low income households contains broad-based eligibility criteria. The ASPIRE award is a program hallmark; almost 8,000 students received a need-based supplement to the base scholarship award, and of this group, approximately 20 percent of recipients are African-American. Focusing on the overall access goal, the 2004-05 academic year evidenced a 6.5 percent increase in first-time freshman, which represents the largest enrollment to-date. However, when controlling for increases in the high school aged population, this growth represents a two percent net increase in the percentage of high school graduates who enroll in college over the prior fall.

Thus, at first glance, it would seem that academic achievement in high school and college aspirations are on the rise. Furthermore, it also appears as if the HOPE program precipitated an expansion of college access opportunities. Nevertheless, one implication of the Tennessee's broad based eligibility criteria is that many scholarship recipients are required to supplement their college curriculum with remedial and/or developmental coursework. In fact, approximately 29 percent of scholarship recipients required some form of remediation during their freshmen year. Consequently, while the eligibility criteria for the Tennessee HOPE program have enhanced college access opportunities, they may unwittingly exacerbate underlying issues associated with scholarship retention and persistence.³⁰

FINDINGS IN THE CONTEXT OF THE SCHOLARLY LITERATURE

Academic criticism of merit-aid programs centers on the disproportionate effect these initiatives have on low-income and minority students. A focal point in the need versus merit-aid debate is the idea that groups of students that tend to have the greatest financial needs – minorities and low income students – are often disproportionately disadvantaged by the merit-based scholarship eligibility criteria. Paradoxically, then, the group of students denied access to college scholarships (and those who have the greatest propensity not to retain them, even if received) are those for whom the financial aid is most needed.

The innovations of the Tennessee program (larger scholarship amounts awarded to low-income students; and broad-based eligibility criteria) were attempts to mitigate the disproportionate effects of under-represented students. In fact, considering the broad eligibility criteria of the Tennessee Education Lottery Scholarship program, under-represented students are eligible for these merit-aid awards in much greater proportions than in other states with similar programs. Thus, one could argue that this has the effect of “targeting” merit-aid to under-represented students by making the awards nearly universal for college bound students. Nevertheless, despite these efforts, the Tennessee HOPE program does not appear to have the inclusive characteristics that were hypothesized.

³⁰ For example, of the first-time freshmen students who required remedial and/or developmental instruction, only 37 percent were able to retain their scholarships in the subsequent year. This contrasts sharply with GAMS recipients (of which 92 percent retained their scholarships). The overall scholarship retention rate for non-remedial/developmental students was also considerably higher (at 55 percent).

Thus, the scholarly literature on merit-aid implies that such programs, because of their disproportionate effects, should be reconsidered and/or abandoned. The results in the first year of the Tennessee program (despite its uniqueness and dramatic efforts to mitigate these problems) tend to lend some credence to this viewpoint. Scholars, by focusing their efforts on the disproportionate negative effects of such programs, however, may have missed a fundamental positive consequence of merit-based aid. This positive consequence is accentuated by the structure of the Tennessee program.

The findings presented in this report suggest that academics, instead of encouraging policymakers to dismantle merit-aid programs, should instead consider creative ways to amend and alter them. One means through which this policy adjustment could occur is for more states to adopt the model of targeting merit-aid to those students who are traditionally under-represented in higher education. Upon reaching programmatic maturity, the Tennessee HOPE program is projected to provide in excess of 100 million dollars in merit-based financial aid to Tennesseans with financial need. This volume of funding will more than double the projected amount granted through the Tennessee Student Assistance Award (TSAA) program. It should also be underscored that the pool of available funding for the TSAA program is insufficient to meet overall programmatic needs. This need-based aid program typically experiences shortfalls that deny upwards of 10,000 eligible students. The state's merit-aid program, in contrast, is dependent upon a statutorily protected revenue stream; consequently, all students who apply and are eligible for HOPE Scholarships are guaranteed the receipt of financial aid.

It is not the intention here to suggest that the well documented negative social consequences associated with merit-based aid scholarship programs are misguided. Nor should one be left with the impression that the perils described in the relevant literature can be ignored. The observations here, however, do suggest that there are a host of positive effects of merit-based aid that have not been reported in the traditional scholarly and policy communities.

SUMMARY

The 2004-05 academic year marked the inauguration of the Tennessee Education Lottery Scholarship program. In total, more than 39,000 students received lottery funded scholarships, with total award allocations in excess of \$93,000,000. Of these recipients, 59 percent of the scholarships were awarded to students enrolled in the Tennessee Board of Regents system, 26 percent of the awards were held by students in the University of Tennessee system, and 16 percent attended one of Tennessee's independent colleges or universities. Furthermore, the distribution of students geographically includes representatives from each of Tennessee's 95 counties.

The advent of the Tennessee Education Lottery Scholarship program was marked by a period of record enrollments across Tennessee higher education. During the fall 2004 semester, the number of high school graduates who enrolled in college increased by 2 percent over the prior year. Additionally, there was a 4 percent decline in the number of Tennesseans who enrolled in out-of-state institutions (with enrollment rates declining in eleven of the thirteen most popular neighboring out-of-state institutions).

While the Tennessee HOPE program was successful in expanding college access opportunities for recent high school graduates, many of these students enter college with core deficiencies. Consequently, of those freshmen who received scholarships at public sector institutions during academic year 2004-05, approximately 30 percent required some form of remedial/developmental instruction. Moreover, only 37 percent of these "remediated" students retained their scholarships into the 2005-06 academic year. An examination of scholarship retention rates indicates a direct correlation between academic preparation as evidenced through standardized test scores and the continued receipt of the award; almost 60 percent of the students who failed to retain their scholarships had an ACT score of 21 or below. In contrast, 92 percent of the General Assembly Merit Scholars retained their award the subsequent academic year.

Academic scholarship on merit-based financial aid has highlighted the disproportionate effects such programs have on low income and minority students. Unfortunately, Tennessee is not immune from such criticism. An examination of scholarship participation rates by race and income level reveals that traditionally disadvantaged groups participate in the program at rates below their other race peers. However, the amount of merit-aid awarded, and available, to these disadvantaged groups has the potential to outstrip (and possibly double) the funds available through traditional need-based financial aid mechanisms. Moreover, by requiring students who apply for a lottery scholarship to complete the Free Application for Federal Student Aid (FAFSA), the state is opening a window of opportunity for additional federal,

state, and institutional financial aid. In fact, during 2004-05, almost \$13 million in additional federal Pell awards (over 2003-04) was provided to 5,306 Tennesseans (for an average award of approximately \$2,400). Lastly, perceptions of the impact of scholarships on high school students in these under-represented groups suggest that, through outreach and other initiatives associated with the merit-aid program, college enrollment will gradually increase.